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## NEWS SUMMARY

### GENERAL

#### Thirty die in Tehran riots

At least 30 people were killed and hundreds wounded in Tehran when troops opened fire on anti-government demonstrators.

Martial law authorities claim that some demonstrators were firing machine guns. A number of them were armed with rocks, petrol bombs and iron bars.

The clashes came amid renewed confusion over whether Prime Minister Bakhtiar would meet exiled religious leader Ayatollah Khomeini in France. The Ayatollah was reported as saying he would only meet Dr. Bakhtiar if he first resigned as prime minister. **Back Page**

#### Demo clash

Police arrested 41 people after scuffles in London between 1,000 Sinn Fein demonstrators and 150 National Front supporters. Smoke bombs were hurled during the fighting, and one policeman was taken to hospital. It was the seventh anniversary of Ulster's Bloody Sunday.

#### Andreotti to go

Italian Prime Minister, Giulio Andreotti is expected to resign either tomorrow or Wednesday. He will tell both Houses of Parliament that backing for his minority Christian Democrat Government has collapsed, following the withdrawal of the Communists. **Page 2**

#### Israeli bombing

At least five Israelis have been killed and more than 65 wounded by a bomb in a crowded street of Natanya, an Israeli coastal resort. Palestinian commandos have claimed responsibility.

U.S. special envoy Alfred Atherton failed to persuade Israel and Egypt to resume peace negotiations, and left for Washington. **Page 2**

#### Rockefeller dies

Nelson Rockefeller, the Republican multi-millionaire and former U.S. Vice-President, has died in New York of a heart attack at the age of 70. He was Vice-President to Gerald Ford for nearly two years, and served four terms as Governor of New York State. **Obituary, Page 2**

#### Ulster mystery

Irish police and Ulster security forces are checking claims that a dead man found in the Dublin mountains was a member of the Special Air Service. The body had been bound, gagged and, apparently shot through the head.

#### Metric protest

The Prime Minister will today be handed a 100,000-name petition protesting at further moves to introduce metric weights and measures in line with EEC guidelines.

#### Envoy arrives

Chinese Vice-Premier, Deng Xiaoping (Teng Hsiao-Ping) arrived in Washington yesterday to be greeted by U.S. Secretary of State Cyrus Vance and a 19-gun salute. He is the first Communist Chinese leader to visit the U.S. **Back Page**

#### RA 'in Spain'

RA guerrillas are helping ETA, the Basque separatist group, in its fight against the Spanish Government, according to a Madrid newspaper. The two groups are reported to have exchanged arms, men and explosives.

#### A star at last

A 49-year-old failed actress was overpowered aboard a jumbo jet in New York after holding 131 passengers hostage when the aircraft left Los Angeles. A bag which she claimed contained nitro-glycerine held perfume and other belongings.

#### Briefly...

Fuzmer, Labour Minister Reg Prentice was named as prospective Tory candidate for Daventry, Northants.

Two Danish engineers were killed in a cargo ship explosion 10 miles off the Hook of Holland.

Five arrested during NUI picketing outside Nottingham Evening Post, including union's vice-president, Jake Beeclestone. U.S. Department of Justice has recommended release from jail of bank robber Patricia Hearst. Weekly 275,000 Premium Bond prize goes to Hammersmith holder of Bond 1085 321442. A climber died and his companion was injured in an avalanche on the Penines.

### BUSINESS

#### BNOC adds to N. Sea stake

BRITISH National Oil Corporation is to add to its growing equity interests in the North Sea by buying a share in the Beatrice Field from Hunt Oil of the U.S.

The deal, likely to be announced this week, involves the sale of half of Hunt Oil's 20 per cent share in the field. Further changes could follow later this year.

Under its purchase of 10 per cent of the Beatrice Field, BNOC is expected to pick up its share of the capital costs of development. Hunt will reserve a right to part of the profits arising from BNOC's interest. **Back Page**

#### PROSPECTS of a lasting and successful monetary union for a united Western Europe remain as distant as ever, even if the proposed European Monetary System comes into force, Lord Robbins says. **Page 4**

#### WEST German business confidence remained at a high level in December, despite the steel strike and slowdown in new orders, an IFO survey shows. **Page 2**

#### NORWEGIAN Government's tight demand policies, including a wage and price freeze, will continue to exert a dampening impact on the country's economic activity in 1979, the OECD's latest survey says. **Page 2**

#### STERLING'S relative firmness in foreign exchange markets in spite of Britain's industrial troubles is likely to result in little change in the underlying level of official reserves in January. **Page 4**

#### PRE-TAX profits for 1978 of the big four London clearing banks will be 15 per cent higher than the previous year, according to the average of seven forecasts by leading stockbroking firms. **Page 4**

#### PRUDENTIAL Insurance Company of the U.S., has disclosed that it is interested in buying the World Trade Centre, a development encompassing twin towers which are New York's tallest buildings. **Page 19**

#### RIFTS are understood to have appeared in the attitude of the McGraw-Hill family to the \$830m proposed American Express takeover bid for the McGraw-Hill publishing empire. **Page 19**

#### MINISTERS will consider later this week whether to allow the Kirkby Manufacturing and Engineering workers' cooperative to shut down, following a report from their industrial advisers that it should not be granted financial aid of up to £5m. **Back Page**

#### INMOS, the micro-chip company backed by the National Enterprise Board, will begin pilot production of its first devices by the end of the year, in the U.S. **Page 4**

#### RATEPAYERS are likely to have to pay an extra 20 per cent or more for county council services in England and Wales in 1979-80, if provisional figures prepared by some County Hall treasurers become the norm. **Page 4**

#### NATIONAL Coal Board has agreed to purchase a stake in S and A Geophysical, the seismic survey company controlled by English China Clays, in a bid to expand its mineral development and exploration interests. **Page 4**

#### SAAB-SCANIA, the Swedish engineering group, is planning a renewed assault on the UK bus market, dominated by Leyland Vehicles. **Page 4**

#### REAL VALUE of savings has been halved over the past nine years, the latest researches of Antony Gibbs Financial Services show. **Page 4**

#### STRICT CONTROL of the money supply will not prevent a rise in the rate of inflation, Mr. Gordon Pepper, of City stockbrokers, W. Greenwell and Co., says. **Page 4**

#### TDK ELECTRONICS has achieved record sales of £126.2bn (£317m), up 20 per cent on the previous year, and net profits up 11.4 per cent to £12.58bn (£31m), for the financial year to November. **Page 19**

## Strike stalemate may be broken

# South-west lorry drivers agree to arbitration move

BY ALAN PIKE, LABOUR CORRESPONDENT

The negotiating stalemate in the lorry-drivers' strike broke yesterday when union leaders in the South-west agreed to settle the dispute by arbitration, and called for an immediate return to work in the region.

Road Haulage Association officials regard the move as a significant development toward a wider settlement of the dispute.

A proposal for the association to take the dispute to national level arbitration was rejected by Mr. Moss Evans, general secretary of the Transport and General Workers' Union, a fortnight ago. With the South-west now setting an example, the employers hope that other regions may make local arrangements for a settlement by arbitration.

If this proved the case, the association would launch another bid for national-level arbitration in an attempt at a single settlement across the industry, though this would be resisted by the unions.

Strike leaders and shop stewards met at the TGWU Bristol headquarters yesterday, and were told of the arbitration proposal by Mr. Ron Nethercote, regional secretary. They agreed to call off picketing and make immediate arrangements for a return to work.

The union nominee on the three-man arbitration panel will be Mr. Frank Cousins, retired general secretary of the TGWU. Mr. Geoffrey Jones, a Bristol solicitor, has been nominated by the employers, and the panel will be chaired by Mr. John Garnett, director of the Industrial Society.

Union leaders in other parts of the country were doubtful last night about the extent to which the local arbitration solution was likely to be adopted outside the South-west, where many employers have already settled individually with their drivers.

Union officials and employees agree, however, that the next few days will be crucial for the future of the strike, and that

Local authority employers and union leaders resume pay talks tomorrow as manual workers prepared to step up industrial action and the National Union of Teachers decided to seek increases of 35 per cent. On the eve of crucial talks today between the TUC and Government on a new social contract, Mr. William Rodgers called for a temporary pay and price freeze. **Back Page**

## Treasury seeks to keep cash limit changes to minimum

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

TREASURY MINISTERS are now trying to minimise any adjustments in cash limits on public spending in order to accommodate increases in pay above the official guidelines.

Mr. Denis Healey, the Chancellor, is thought to have taken a strong line with other ministers following an inconclusive and slightly despairing Cabinet discussion 10 days ago when there appeared to be a widespread desire to settle the various disputes quickly.

Mr. Peter Shore, the Environment Secretary, told the Cabinet that the local authorities were considering increasing their offer to their 1.1m employees by about 2 per cent to 8.8 per cent.

This led to considerable uncertainty about how far the Government was effectively sanctioning the higher offer.

Mr. Healey protested that no increases in cash limits had been approved, apart from the minor adjustment resulting from the concession to low-paid workers.

There has been extensive discussion within Whitehall and Mr. Healey has been backed by the Prime Minister, reflecting a general stiffening of ministerial will over the last week about fighting inflationary claims.

However, in practice the issue has been postponed rather than resolved. Contrary to previous intentions, ministers have decided not to fix cash limits for 1979-80 until well into next month when the pay outlook may be clearer.

This is largely because many ministers and senior officials privately concede that if public sector pay rises are well above the 5 to 7 per cent earnings guideline there will have to be at least a partial adjustment of the cash limits as councils cannot be required to offset the whole burden by rises in rates or cuts in services.

#### Likely approach

For obvious tactical reasons, the Treasury wants to take a tough public stance now though ministers want to ensure any eventual adjustment in cash limits does not match the rise in pay.

The likely approach was indicated by Mr. Healey in his Commons speech last Thursday when he said the Government would "not accommodate excessive wage increases in the public sector by increasing cash limits accordingly."

He said: "To some extent a reduction in the volume of

## Massey Ferguson may sell part of stake in Perkins Engine

BY IAN RUSK IN TORONTO

MASSEY-FERGUSON, the Canadian company which suffered record losses last year, may sell a minority interest in its UK-based subsidiary, Perkins Engine, the largest maker of diesel engines in Europe.

The possibility of such a sale, which would help to improve Massey-Ferguson's debt-equity ratio, was confirmed at the weekend by Mr. K. Munnfield, vice-president administration and a director of Massey.

Three options have been discussed within the company.

One is that Massey could find a partner for its Perkins plant in Canton, Ohio. The 587,000 sq. ft. plant is under used. It produced 22,000 engines last year, but without modification could turn out 75,000 a year and, with a relatively minor investment, its capacity could be raised to 100,000. The plant could be more fully used by finding a partner to provide Perkins with a market for engines.

The second possibility is the sale of a minority interest in the Brazilian operation to a local partner. The company has two engine plants and a foundry there. Falling sales resulted in a 13.8 per cent drop in Perkins' Brazilian production last year. Massey's annual report, released over the weekend, said: "The third possibility is the sale of a minority interest in the whole Perkins operation. Mr. Munnfield said that Massey

had been approached by companies interested in buying such an interest. He indicated that Massey was not in a position to say which, if any, of the three options it might follow.

Perkins itself said in the UK last night that it could not comment on the possibility of any sale of a minority interest.

In the year ended October, Perkins and its associate companies built 544,700 diesel engines, 4.5 per cent fewer than a year earlier.

Perkins' own production fell to 286,700 units from 319,400 units, while production from its associates and licensees rose to 258,000 units from 251,200.

#### German closure

Although requirements for diesel engines for agricultural applications declined during 1978, demand for other applications, particularly industrial machinery, showed a modest growth which is expected to continue through 1979. "By 1980, stronger demand is expected for all applications," the annual report said.

The report also revealed that Perkins has completed its contract to supply Volkswagen with engines for the German motor manufacturer's diesel-powered light van and it has not found enough orders to keep its plant at Hannover, West Germany, running. The plant was closed at the end of December. In 1978, it produced 12,850 finished

## Export deliveries fall by a third

EXPORT deliveries down by more than a third and factories working short time making such goods as are possible rather than those needed to meet orders: that was the picture yesterday as Britain faced another week of industrial disruption.

Progressive reduction in exports is described by the Association of British Chambers of Commerce in a letter to the Prime Minister.

In a joint statement, the Engineering Employers' Federation and the Engineering Industries' Association, representing 10,000 companies with 2.5m employees, said that short-time working was increasing.

Individual settlements are being reached around the country between employers and their drivers. Some settlements are on the basis of the union's full 265-a-week cash claim, while others remain in line with the employers' £60 offer.

Others, such as a £64-a-week offer plus fringe benefits, which drivers working for a group of Hull companies accepted yesterday, come somewhere in between.

In Scotland delegates from 58 strike committees agreed to drop sanctions against any employer who agreed to meet

Continued on Back Page  
Editorial comment Page 14

## Processed

The Chambers of Commerce say: "Overall, returns from Chambers of Commerce suggest that by the second week in January, demand for export documentation had fallen by a full third."

Their letter signed by Mr. Tom Boardman, association president, points specifically to the Heathrow Airport office of the South Bucks and East Berks Chamber. In the first three weeks of this year it processed 590 EEC certificates of origin against a normal figure of more than 900.

Many exporters were turning to air freight as an alternative to blocked docks.

Mr. Boardman finds suggestions of new social contract "ominous." "Experience of the 1974 contract has made abundantly clear that huge increases in the social wage have had absolutely no restraining effect on the present round of pay demands."

Sample figures from eight member chambers of the association showed that the number of certificates of origin they had issued fell from 5,803 in the first three weeks of January last year to 3,946 in the first three weeks of this year.

## Rapid

The fall was particularly spectacular in exports destined for the Middle East.

The Leeds, Bradford and Merseyside Chambers reported a rapid fall in demand for certificates of origin, down by a third. There was a 26 per cent drop in the issue of certificates in the second week in January in Merseyside, but a 40 per cent drop in the third week.

Details Page 5

# Little backing for UK on farm prices

BY CHRISTOPHER PARKES

BRITAIN has little firm support among her EEC partners in the battle to impose a freeze on European Community farm prices.

A brief meeting of the Ministers of Agriculture in West Berlin on Friday revealed that for all the talk in the EEC about the need for price restraint, only the Italians and the Commission are prepared to offer any support in the British demand for a complete standstill.

Mr. John Silkin, the Agriculture Minister, remains intransigent. There was "no way," he said at the weekend, that the prices of surplus commodities would be raised in the coming price review.

He said that every 1 per cent increase in EEC farm output cost each British taxpayer an extra £1 in contributions to the Community Budget.

"It's got to stop. It's going to stop this year. It's had the overwhelming support of the people of Europe" to help him put a brake on production and spending," he claimed.

"Why should the rest of Europe have to pay for hobby farming in Germany?"

Only Sig. Giovanni Marcora, Italian Agriculture Minister, had come down clearly on his side at the West Berlin talks, Mr. Silkin admitted.

But the Italians, worried about the impact on their balance of payments of higher prices for cereals, meat and sugar, all imported from Northern Europe in large quantities, are likely to change sides if promised concessions on the prices of Mediterranean produce so vital to their own farm industry.

After the talks, Mr. Finn-Olaf Gundelach, the EEC Farm Commissioner, said he would go ahead with his plans to propose a freeze on prices. His ideas have yet to be blessed by the full 13-man Commission before going formally to the Ministers on February 5 and 6.

The Commission is fully aware of the disastrous implications for implementation of the European Monetary System if concessions on prices and import and export taxes (monetary compensatory amounts) are not made to placate the French and West Germans.

Herr Josef Ertl, the West German Minister, and M. Pierre Maigne, his French counterpart, have struck a bargain between themselves which could lead to an across-the-board price rise of considerable benefit to French farmers, who are among the leading surplus-producers of the Community.

France insists that before the new monetary system can be introduced, the Nine should agree to a reduction in the monetary compensatory amounts taxes and subsidies on farm products, plus a scheme to phase them out gradually.

Britain refuses to accept any automatic phasing out, mainly because changes without advance for exchange rate movements could cost this country dear in higher food prices.

At present monetary compensatory amounts act mainly as import subsidies on British food.

Mr. Silkin's stand on the price freeze is particularly irritating for his colleagues because they are well aware that he does not intend it to apply in all its stringency to British farmers.

He is heading for a clash over other elements in the price review. Mr. Gundelach plans a punitive tax on dairy products, a more elaborate and costly version of the recent "co-responsibility levy" to curb "excess" production.

## EEC considers aid for Pakistan ship order

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

THE GOVERNMENT is attempting to put together an aid and subsidy package in the hope of selling three cargo ships to Pakistan.

An application is now before the EEC Commission for permission to go ahead with the £21m deal involving three SD18 multi-purpose cargo liners from British Shipbuilders' Austin and Fickensgill yard at Sunderland.

The contract has been under negotiation since September when Mr. Mustafa Gokal, the

Pakistan Shipping Minister, visited London for talks with Mrs. Judith Hart, Minister for Overseas Development.

At that time Mr. Gokal was interested in five SD14-type ships, which are slightly smaller than the SD18, but he told Mrs. Hart that he was not prepared to use overseas aid already committed for other industrial and agricultural projects in order to finance the deal.

As Pakistan is regarded as

Continued on Back Page

**BCCI Holdings**  
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OVERSEAS NEWS

Andreotti cabinet to quit after Communists withdraw

BY RUPERT CORNWELL IN ROME

SIG. GIULIO ANDREOTTI, the Italian Prime Minister, is expected to resign either tomorrow or Wednesday, thus bringing to a close his own fourth administration and his country's 40th government since the fall of Fascism.

After a cabinet meeting this morning Sig. Andreotti will make a statement in both Houses of Parliament to confirm the collapse of the majority backing his minority Christian Democrat government following the withdrawal of the powerful Communists from the five-party formula.

A debate will be held, probably tomorrow, and then the Prime Minister will hand in the resignation of his 40-month-old administration to the Italian President Sig. Sandro Pertini.

It is assumed that Sig. Andreotti will be asked to try to form a new government, but it is anything but certain that he will succeed. Negotiations will be very difficult, with the distinct possibility that all permutations will fail, leaving no alternative to early elections which few politicians want.

Soundings are already being taken among the parties. But the basic position of the Communists, demanding direct entry into government, and of the Christian Democrats, who refused this, are so far apart that it will take a particularly ingenious solution, even by Italian standards, to bridge the gap.

Among ideas being canvassed are the appointment of "technocrats" or other figures agreeable to the Communists and ministers, the inclusion in government of some of the smaller "lay" parties, or even an "institutional" government headed by Sig. Amintore Fanfani, President of the Senate, on a caretaker basis until key party congresses and the European elections have been held.

continued to affirm their willingness to find a compromise to avert the threat of an early general election at this particular stage.

But this was only one aspect of the demonstration. The other forcefully brought home the current difficulties of the PCI and the motivations that have now led to the split with the DC. The crowds in Genoa kept chanting with clenched fists even at the members of Sig. Rossa's family: "The time has come for change, the PCI must resign."

Throughout its collaboration with the DC in the parliamentary majority, the PCI leadership has increasingly come under fire from its own base. The decision to bring down the Government and the weekend demonstration in Genoa was clearly an attempt by the PCI to recover some of the ground lost, but especially the support on the party's left.

However, the party's dilemma is still as great as ever. It has now broken with the DC but still seemingly views with reluctance and apprehension the prospect of an early electoral confrontation.

THE ITALIAN Communist Party (PCI) and the country's labour unions gave Sig. Guido Rossa—a shop steward of the Fiatler state steel group and the first PCI member to be murdered by left-wing extremists—the consecration of a martyr in Genoa this weekend.

Workers from every part of the country—some claimed as many as 350,000—marched behind the hearse in pouring rain through the historic port city with red banners and hurling slogans. Earlier, they filed past the open coffin of the 44-year-old trade unionist shot dead by the Red Brigades last week and displayed in the steel plant where he worked.

Not since the kidnapping and assassination of Sig. Aldo Moro, the late Christian Democrat (CD) leader, by the same terrorist group some ten months ago had such an imposing demonstration been staged in an Italian city, although there have been at least 30 other victims of political violence in Italy last year.

Sig. Rossa was given what was tantamount to a state funeral. The President of the Republic, Sig. Sandro Pertini, was present. So were Sig. Enrico Berlinguer, the PCI Secretary General, all the leaders of the country's three main trade union confederations, Sig. Bettino Craxi, the Socialist Secretary General, and leading representatives of all the main political parties, including the Christian Democrats.

The direct attack by left-wing terrorists against the Communist Party, eloquently reflects the broad subversive design in act for some time in Italy against any attempt of collaboration, originally promoted by Sig. Aldo Moro, between the PCI and the DC.

Despite the latest Government crisis, all the parties have

continued to affirm their willingness to find a compromise to avert the threat of an early general election at this particular stage.

Hero's funeral for party victim

BY PAUL BETTS IN GENOA

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Slow Norwegian growth forecast

BY ROBERT MAUTHNER IN PARIS

THE NORWEGIAN Government's tight demand policies, including a wage and price freeze, will continue to damp down economic activity in 1979, according to the OECD's latest survey on the Norwegian economy published today.

Policies so far announced do not give room for any market expansion of domestic demand. Only a further improvement in the real foreign balance could allow an increase in gross domestic product (GDP) of about 2.5 per cent this year, compared with an estimated 3.75 per cent in 1978. Excluding oil and shipping, growth is expected to be no more than 1.25 per cent.

The trade balance should continue to improve, thanks to an expected fall in the volume of imports. However, because of higher energy transfers, interest payments and lower net service revenues, the current-account deficit is likely to widen this year to \$2.6bn, from \$2bn in 1978.

The OECD Secretariat considers there will probably be some slippage from the price freeze adopted by the Norwegian Government, which assumes a rise in consumer prices of no more than 4 per cent for 1979, compared with 8 per cent last year. But it nevertheless believes that present policies should lead to a significant slowdown in the rise of costs and prices.

Unemployment, meanwhile, remains well below the levels in other OECD member countries. Although slower growth might lead to an increase in the number of job-seekers in 1979 to between 2.5 and 3 per cent of the labour force, compared with an average of less than 2 per cent in 1978, a large proportion of redundant labour should be absorbed by re-training schemes. As a result, unemployment could well stay below 2 per cent on average.

Atherton fails to break deadlock

BY L. DANIEL IN TEL AVIV

MR. ALFRED ATHERTON, the U.S. special envoy to the Middle East, returned empty-handed from Cairo to Jerusalem on Saturday. After talking to Mr. Menachem Begin, the Israeli Prime Minister, and Mr. Moshe Dayan, the Foreign Minister, he left for Washington less than 24 hours later.

Egypt had apparently refused to accept the compromise worked out during a week's negotiations in Jerusalem between the U.S. and Israel.

Nevertheless, Mr. Begin said after Sunday's Cabinet meeting in Jerusalem that Israel and Egypt are prepared to keep on trying to reach agreement. Mr. Begin said the next round of talks might take place at a higher level, between Mr. Cyrus Vance, the U.S. Secretary of State, Dr. Mustafa Khatib, the Egyptian Prime Minister, and Mr. Dayan.

Mr. Atherton discussed two points in Cairo. The first concerned the review of security arrangements in Sinai provided for in the draft peace treaty. Israel agrees to this in principle, but is not willing to fix a date. The second point concerned Egypt's defence commitments to other Arab countries.

Meanwhile, the Marxist Democratic Front for the Liberation of Palestine has claimed responsibility for the bomb which killed two and wounded 50 at the Israeli seaside resort of Nathanya, 16 kilometres north of Tel Aviv.

Paul Martin adds from Cairo: Egypt's leaders yesterday in Mr. Atherton's mediation mission, while declaring that Egypt was refusing to budge from its position.

Business confidence buoyant in W. Germany

BUSINESS confidence in West Germany remained at a high level in December, despite the steel strike and a slight slowing down in new orders, according to the latest monthly survey of companies by the IFO Institute, Adrian Dicks reports from Bonn.

The IFO survey, widely regarded as one of the most accurate indicators of the West German economy, once again reveals the majority of companies to be optimistic about the next six months.

Average order books rose to three months' work, although many companies have also announced plans to raise production. As a result of this buoyancy, the survey shows a slightly higher level of industrial prices in the next three months.

Mexico 'mistake'

Mexico will probably be forced to reduce its oil production unless it can sell the natural gas with which its vast oil reserves are mixed, according to a U.S. Library of Congress study, AP reports from Washington. Senator Edward Kennedy said the study underscores his belief that the Energy Department made a serious mistake in refusing to buy Mexican natural gas at world market prices.

President tipped

The Ruling National Liberation Front (FLN) opened a four-day congress at the weekend to name a successor to the late President Houari Boumediene who died on December 27, AP reports from Algiers. Widely tipped as the compromise choice was Colonel Benjedid Chadli, 49, acting chief of staff of the army.

Spy captured

MILITARY intelligence agents have captured an East German spy who was working in the West German army's main supply office in Cologne, Reuters reports from Bonn. Copies of military documents and special photographic equipment were reported to have been found in the spy's flat.

Guerillas unite

THE TWO main guerrilla groups fighting in the Ethiopian province of Eritrea, the EPLF and the ELF announced yesterday they were joining forces, the Sudan News Agency (SUNA) reported, quoted by Reuters. Kenyan President Daniel Arap Moi goes to Ethiopia today for talks about military co-operation and Somali intentions in the Horn of Africa.

Polish scrutiny

POLAND has agreed to permit Western banks to monitor its economic policies as part of an effort to obtain a major new loan, according to U.S. bankers, AP reports from New York. Poland needs the loan to repay some of its \$15bn debts to the West.

Sanctions inquiry

THE U.S. State Department said yesterday that it was conducting a new investigation of oil firms' activities in South Africa. It will determine whether they are supplying Rhodesia in violation of United Nations sanctions, Reuters reports from Washington. The Treasury Department is studying ways to gain the co-operation of oil companies.

Cereals record

WORLD cereal production rose to 1.43bn tonnes in 1978, 37m tonnes above 1977's record level, according to estimates by the United Nations Food and Agriculture Organisation issued yesterday. John Edwards, Commodities Editor, reports.

NELSON ROCKEFELLER

The man who never wanted to be just a Vice President

BY JUREK MARTIN, U.S. EDITOR, IN WASHINGTON

LIKE Hubert Humphrey, who died just over a year ago, Nelson Rockefeller is being remembered here as the man who never attained the office he so desperately wanted and which he might have filled with distinction—that of President of the United States.

But, as Senator Humphrey, this is an assessment which vastly understates the significance of a remarkable and often unorthodox career in Government service spanning nearly 40 years. Indeed, although the public offices he held were impressive enough—Rockefeller's Latin American expert at the State Department, Eisenhower's Under Secretary of Health, Education and Welfare, four-term Governor of New York state, and Vice President under Gerald Ford—it was more what Rockefeller stood for, or, often mistakenly, was perceived to stand for, that left such an indelible mark on his times.

His name is the symbol of a particular brand of progressive Republican Party politics, exemplified by a strong commitment to civil and human rights and a belief in the efficacy of government. On all three occasions that he ran for his party's Presidential nomination before the 1960, 1964 and 1968 elections, and again when President Ford dropped him from the ticket in 1976, he was frustrated because conservative Republicans held a deep mistrust, and in some cases outright hatred, for the position he took.

Many of his critics, from both sides of the political fence, believed that his reputation for liberalism was unjustified. In particular, they pointed to the record of his later years as Governor of New York, especially to his handling of the Attica prison riot in 1971 when 41 inmates were killed, as proof that he had changed his spots.

But there were plenty of instances when Nelson Rockefeller stood up for his beliefs. In 1960, when the "Fifth Avenue compact" with then candidate Richard Nixon gave the Republican Party platform a more humanitarian shape, in 1964, when he endured the vilification of the Goldwater convention in San Francisco to argue the cause of civil rights, and again in 1972 when he vetoed a Bill that would have overturned the liberal New York abortion laws.

His greatest monument as a public servant is undoubtedly his 18 years as New York's governor. Though he defeated the incumbent, Averell Harriman, on a tight money, conservative plank, he subsequently spent and borrowed freely to create what he saw as the necessary state infrastructure in highways, schools, hospitals and social services fit for what was the biggest state in the union in the latter half of the 20th century.

Nelson Rockefeller was a notable patron, both of the arts and of rising stars, such as Henry Kissinger. Since his retirement, he had devoted much of his time to the controversial task of commercialising his own extensive private art collection through the sale of expensive reproductions. At the time of his death, his personal fortune was put at about \$200m.

His death, at 70, leaves only two of the five grandsons of the late John D. Rockefeller alive—David, head of Chase Manhattan Bank, and Laurence, the noted philanthropist and conservationist. The family's political name, however, is being carried on by Nelson's nephew, Jay Rockefeller, the Democratic Governor of West Virginia.

But in the national Republican Party, now consumed with debate by various shades of conservatism, there seems no-one fit and willing to carry the banner of the Rockefeller tradition.

Prayers, not politics, Pope tells priests

BY WILLIAM CHISLETT IN MEXICO

POPE JOHN PAUL II has criticised progressive clergymen for "substituting actions for prayers" and adopting positions over social and political issues. After inaugurating the Latin American Bishops' Conference, the Pope told a group of priests and nuns in separate meetings that they were servants of God, not social or political leaders.

His remarks were the clearest sign so far of the course which the conference is likely to adopt over political and social problems. A small but vociferous wing in the Latin American Church is in favour of greater opposition to the repressive military regimes. The Pope appears to be aligning himself with the predominant conservative wing, which believes that the church is becoming too involved in radical politics.

Inaugurating the Bishops' Conference in the basilica of Our Lady of Guadalupe in Mexico City, the Pope said that the church needed to take a "correct and necessary step forward" from the last conference in 1968.

Lloyds Metal Box Limited THORP You can't ignore the signs. The names above are just a few of the companies who believe that Vale Royal is a great place to be. They're surrounded by some of Britain's loveliest countryside. Yet still close to Manchester, Liverpool and the Midlands. With a huge catchment area of major suppliers and potential customers linked by the M6, M56, major roads and the London Glasgow railways, it's not hard to see why over 50 companies have already moved in. But you won't find all the advantages of Vale Royal on a map. There's the government 20% Intermediate Area grant for companies who move in. And the team of people ready to custom-design and oversee the construction of your factory. Free. For full-colour literature describing the opportunities waiting for you in Vale Royal, use the coupon below. Or phone Bill Wallace, on Winsford 2021.

LEGAL NOTICES

No. 00189 of 1979. In the HIGH COURT OF JUSTICE Chancery Division Companies Court, in the Matter of HADSIK LIMITED and in the Matter of THE COMPANIES ACT, 1948. NOTICE IS HEREBY GIVEN, that a Petition for the Winding up of the above-named Company by the High Court of Justice was presented to the said Court on the 15th day of January, 1979, by the High Court of Justice, in person or by his counsel, for that purpose, and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

COMPANY NOTICES

U.K./U.S.A. GULF WESTBOUND RATE FMC RATE AGREEMENT No. 8770 NOTICE TO SHIPPERS AND CONSIGNEES CURRENT FIRST ADJUSTMENT The member lines of the U.K./U.S.A. Gulf Westbound Rate Agreement operating services from Great Britain, Northern Ireland and the Republic of Ireland to the Gulf of Mexico ports in the U.S.A. and to the ports of call in the Gulf of Mexico, as a result of a current review in the value of the U.S. dollar in relation to the pound sterling, it will be necessary to adjust the rates of freight with effect from 27th February 1979. The current level of surcharges will be interrelated to the current level of the U.S. dollar in relation to the pound sterling.

PUBLIC NOTICES

LONDON BOROUGH OF CAMDEN VARIABLE RATE REDEMABLE STOCK 1983 For the six months from 27th January, 1979 to 27th July, 1979 the interest rate on the above Stock will be 21 1/2% per annum.

I. CLIFTON & SONS Limited Smallford Works, Smallford Lane, St. Albans Would any customer of the above named Company (now part of the Austin Hall Group) who purchased Expandable/Classroom buildings over the period 1st June, 1970, to 31st December, 1971, please contact the following as soon as possible. Mr. J. E. Key, Austin Hall Limited, Grosvenor Works, Leeds Road, Huddersfield HD2 1YR

OUT IEA TODAY

Choice in European Monetary Union

Ninth Wincott Lecture 80p The common currency should not be substituted suddenly but gradually. The speed and pattern of the unification process should not be determined by governments; it could and should be left to the market.

Roland Vaubel

Visiting Professor, Erasmus University, Institute of Economic Affairs, 2, Lord North Street, London, SW1P 3LB. FT.2

Choice in European Monetary Union Ninth Wincott Lecture 80p The common currency should not be substituted suddenly but gradually. The speed and pattern of the unification process should not be determined by governments; it could and should be left to the market. Roland Vaubel Visiting Professor, Erasmus University, Institute of Economic Affairs, 2, Lord North Street, London, SW1P 3LB. FT.2

GENERAL MEETING OF SHAREHOLDERS CANCELLED

Based on notices of participation in the General Meeting of shareholders it is clear that the Board of Directors' proposal is supported by a majority but that no qualified two-thirds majority of the shares that would be represented at the meeting can be expected. The Board has therefore decided to cancel the meeting. The Board will in the near future submit proposals for an increase of the company's risk capital. Gothenburg, 26th January, 1979.

VOLVO

LOCAL AUTHORITY BOND TABLE

Table with columns: Authority, Annual Interest, Life, Minimum of interest, and Bond. Lists various local authority bonds with their respective interest rates and terms.



# Year's delay but more cash for Ursus tractor plant

BY CHRISTOPHER BOBINSKI IN WARSAW

THE POLISH authorities have made drastic changes in production plans and are to increase investment outlays at the Ursus tractor plant near Warsaw. The plant is being revitalised with the help of Massey Ferguson Perkins at a cost of over \$600m.

Government decisions taken earlier this month and approved by the Communist Party Politburo last week mean that there will be a year's delay in bringing production of tractors built under licence from Massey Ferguson on stream at Ursus.

The project was signed in September 1974 and foresees sales of a part of the plant's output through the Massey Ferguson distribution network.

Work at the plant has now reached the half-way stage.

This year's production figure for tractors produced under licence was fixed in March 1977

at 32,000 but according to the Polish Ministry of Heavy and Agricultural Machinery this target has now been reset at "at least 3,000." An unspecified number of spare parts for Massey Ferguson are also to be produced this year. This means that the final production figure of 75,000 tractors built under licence will not be reached before 1982 with production of around 30,000 units now planned for 1980 and 55,000 for 1981.

Production of the present range of Ursus tractors will be run down from the present annual production figure of 60,000 to 40,000 in 1982 leaving a total annual output of 115,000 tractors (including M-F models) in that year. Massey Ferguson Perkins 30HP and 38HP tractors were assembled on a training assembly line in 1978 from sub-assemblies imported from the UK with 13 per cent of the parts made in Poland.

The Polish authorities have also underlined the project's top priority status which should strengthen the Ministry's hand in competing for materials which are at present in short supply. The Government has further agreed to the Ministry's request that additional resources over the amount assigned to the project in the 1979 plan approved last month be spent on construction work at the Ursus factory. This, the Ministry says, should allow machinery and equipment already delivered and the \$90m or so worth of plant due to arrive this year to be installed.

Over Zlotys 10bn are to be spent on the Ursus project this year and around Zlotys 7bn (\$210m at the official rate of exchange) of that are to go on purchases of equipment in the West. From 40 to 50 per cent of the orders, the Ministry says, are to be placed in the UK.

# Key support for Geneva agreements

By David Buchan in Washington

A KEY farm lobby has swung its support behind the trade agreements negotiated by the Carter Administration in Geneva, thereby enhancing the chances for approval in Congress.

The American Farm Bureau (AFB), one of the big three U.S. farmers groups, announced its backing last week at a two-day conference called by the U.S. Chamber of Commerce, which was told by Mr. Robert Strauss, the President's top trade negotiator, that the Geneva accords would lower barriers on \$3bn a year of U.S. farm exports. This included concessions covering up to \$1.5bn of exports to Japan and \$700m to the European Community.

Enlisting the support of the AFB is politically important because the Bureau draws much of its membership from the largely Republican mid-west part of the country.

At the same time, prospects for a smaller U.S. trade deficit this year should help stem protectionist pressures. Mr. Strauss's officials feel.

The major irritant continues to be the huge trade shortfall with Japan—\$12bn in 1978—and while Mr. Strauss last week told Senators that exports to Japan now appeared to be picking up, he also made it clear the Carter administration had little objection to Congress "keeping the heat on" the Tokyo Government by studying possible unilateral measures on Japanese imports.

Though the U.S. and the EEC are still in dispute on paper and chemical tariffs, U.S. officials regard the lack of any broad understanding between the Community countries and Japan on industrial trade as the most serious omission.

# ANGLO-MEXICAN TRADE

## Oil wealth provides new impetus

BY HUGH O'SHAUGHNESSY

"WHAT WE want to do is persuade exporters in Britain, particularly the big exporters, to raise Mexico quite a few notches on their list of priorities. I think we're beginning to succeed."

The senior official in Whitehall was confident that British trade relations with Mexico were heading for the breakthrough that has so often eluded Britain with its relations with other countries of Latin America over the past few years. Mexico's new found oil wealth would be the key.

Figures for last year showed British sales to Mexico of £103.6m and purchases of £41.8m against £79m and £40.8m for 1977. If some big deals that the official and Dr. J. Dickson Mabon, the Secretary of State for Energy, are hitting at come off then these totals could be pushed up very considerably.

For the last few years Anglo-Mexican trade has humped along unspectacularly with Mexico shipping a variety of goods from silver to strawberries direct and selling through brokers in the U.S. a fair amount of cotton which does not appear in the Anglo-Mexican statistics. It has been supplying machinery and other manufactures.

New Mexico's big new income from oil could change everything as the state oil company PEMEX pushes towards 3m or

4m barrels a day. Mexico, a country of approaching 70m, which is already partially industrialised and which has a fair supply of trained managers and administrators, is in an ideal position to make the most of its new wealth without suffering the bouts of financial indigestion that less advanced countries such as Iran, Nigeria or the Gulf emirates have been experiencing.

In addition President José López Portillo, who is expected to visit London towards the end of the year, has warned that he will not allow his country to make any more money out of oil than can expeditiously be absorbed into the country. In the face of Washington's euphoria that its neighbour has suddenly found so much oil at a time when the situation in the Middle East is going from bad to worse, López Portillo has reminded the U.S. Government that Mexico's resources are for Mexico's benefit rather than U.S. convenience.

In this situation Britain has some strong cards to play. Like Mexico, Britain is a major oil exporter outside OPEC and shares Mexico's desire to make the most of its natural resources. Despite the fact that Britain severed relations with Mexico for a few years in 1938—when the Mexican Government nationalised the Shell interest—there are today few rancorous memories and fewer political problems between London and Mexico City.

A number of senior Government figures in Mexico have studied in Britain and understood British strengths and weaknesses. Above all the Mexicans feel they can have a more relaxed relationship with a European country than their giant northern neighbour who always seems to be breathing down their necks. The Anglo-Mexican political relationship has been kept trouble-free by 3½ years of unspectacular but effective work by Ted Rowlands, FCO junior Minister with responsibility for Latin America.

In November, in one of the biggest industrial fairs this country has ever mounted, Britain staged a show of its latest technology in the Mexican capital. For months big British companies, BNO, British Shipbuilding, GEC, and many others have been talking major contracts and possible joint ventures. The big projects which British companies have helped to put together in Mexico such as by British Steel and Davy United in the steel-making sector have been well hilted and Britain's engineering reputation is on the whole good.

Britain's position as an oil producer deprives it of one big card that other countries are trying to play. Both Japan and France are seeking to buy large and assured quantities of Mexican oil and to use their position as buyers to persuade the Mexicans to agree to take Japanese and French goods in

larger quantities as counter-part.

The Mexicans however have indicated that they do not see international trade as a barrier process and have said that they intend to buy their imports from the buyers who offers the most advantageous terms, whether he buys Mexican oil or not. The Mexican Government, unlike the governments of other Third World countries, is sufficiently well endowed with negotiators to be able to make the most of its position in any international trade negotiations.

The great size and scope of some of the schemes that British and Mexican businessmen are discussing, ranging as they do from the enrichment of Britain of Mexican uranium to the possible construction by British Shipbuilders of shipyards on Mexico's Pacific coast, mean that negotiations will be long and complicated. There are hopes however that some concrete plans will be ready for signature by the time President López Portillo arrives in London later this year.

Meanwhile having rested up after his own visit to Japan and China at the end of last year the Mexican leader is hard at work receiving the stream of visitors who are heating a path to his door, one day the Pope, next President Carter, then M. Giscard d'Estaing. The crucial department of the Mexican Foreign Ministry was never harder worked: Mexico has never been courted harder.

# UK takes own line on EEC textile accord

By Rhys David

BRITAIN is taking an independent line in the controversy on outward processing in an agreement on textile imports recently negotiated by the EEC Commission with Portugal in Lisbon.

The three-year agreement allows Portugal further growth in its exports of certain sensitive products during 1979, but brings in tighter restrictions in 1980-81, which will put Portugal on the same basis as other leading low-cost exporters.

The EEC members, apart from Britain, are allowing Portugal separate quotas for outward processed goods—fabrics exported from one country to another for conversion into garments and subsequent re-export.

This practice has been growing in the richer EEC countries, such as West Germany, where high wage costs have begun to make such labour-intensive businesses as clothing manufacture uneconomic. Satellite operations have, as a result, been developed in Yugoslavia, East Germany and elsewhere to turn West German-made fabrics into garments.

UK companies have also been developing outward processing arrangements in several countries, including Portugal, but the procedure has been strongly attacked in recent months by textile trade unions, which fear that jobs will be lost in the clothing industry.

# S. Korea boosts output of key export industries

SEOL — The South Korean Government has designated 10 strategic export industries whose present production capacities will be increased about three-fold on average by 1986, Commerce Industry Ministry officials said.

South Korea would then emerge as the world's number one textile exporter with \$10bn worth of annual exports, compared with last year's \$4bn, and number five in ceramics with \$500m of exports against \$81m in 1978, they said. The country's cement production capacity would be sixth largest in the world in 1986 with 40m tonnes annually against the present 18m tonnes, they added.

Present motor production capacity of 200,000 units will be expanded to 2m units a year by 1986, ranking ninth in the world. Reuter

# World Economic Indicators

TRADE STATISTICS		Dec. 78	Nov. 78	Oct. 78	Dec. 77
UK £bn	Exports	3,154	3,054	3,097	2,779
	Imports	3,028	3,242	2,997	2,650
	Balance	+0.126	-0.188	+0.100	-0.071
France Frs bn	Exports	30,543	31,857	31,494	28,344
	Imports	31,414	31,533	30,763	27,056
	Balance	-0.871	+0.324	+0.731	+1,310
W Germany DM bn	Exports	25,040	25,395	26,670	25,435
	Imports	21,290	21,843	21,858	21,214
	Balance	+3,840	+3,552	+4,812	+4,221
U.S. \$bn	Exports	13,261	13,010	13,400	9,304
	Imports	15,207	15,140	15,100	11,386
	Balance	-1,946	-2,130	-1,700	-2,082
Italy Lira bn	Exports	4,491	4,450	3,682	3,518
	Imports	4,372	4,215	3,753	3,265
	Balance	+129	+235	-71	+253
Japan \$bn	Exports	8,516	8,796	8,070	7,028
	Imports	6,981	6,813	6,820	5,813
	Balance	+1,535	+2,093	+1,250	+1,215
Holland Fls bn	Exports	9,407	8,226	7,984	8,976
	Imports	9,653	9,102	8,829	9,301
	Balance	-0.246	-0.876	-0.843	-0.325
Belgium Bfrs bn	Exports	120,048	94,337	105,254	123,609
	Imports	120,720	119,226	106,610	121,747
	Balance	-0.672	-24,889	-1,356	+1,862

# Trinidad pact may bring UK £100m orders

By Michael Cassell

AN AGREEMENT between the Governments of Trinidad and Tobago and the UK on a series of construction projects could bring £100m worth of business to British companies over the next few years.

Mr. John Smith, Secretary for Trade, said that a memorandum of understanding between the two Governments had been signed and would provide a framework for establishing UK participation in a number of important construction projects.

The UK has been invited to undertake a major housing project at Trintcity, as well as the construction of a new hall of justice, a library complex, financial centre and Government printing works.

# SHIPPING REPORT

## Iran troubles continue to affect oil trade

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

OIL TRADES outside the Middle East continued buoyant last week as a result of the supply problems in Iraq, but in most other sectors shipping freights had a dull week.

The slightly declining trend in most of the markets this year makes this a different but interesting time to consider longer term forecasts of recovery.

Last week Mr. Gordon Bayley's annual tanker review was speaking confidently of recovery for most classes of oil tanker by 1981-82.

Much the same general conclusion is reached in another trusted annual report, that of Terminal Operators. This examines seaborne trade overall and concludes that by 1981 the supply of cargoes measured in

tonne-miles will be equal to the supply of ship capacity.

The report assumes world seaborne trade growth of 6 per cent per annum in 1979 and 1980, with the increase slightly greater for tankers than for dry bulk and general cargo movements. This forecast, the report acknowledges, depends upon successful avoidance of any economic deceleration this year.

Terminal Operator modifies the simple extrapolations of supply and demand by feeding into its calculations assumptions about improvements in the productivity of ships (less slow steaming to saving fuel and fewer part cargoes, for example). It works on the basis that productivity will return to the levels achieved in the stronger markets of 1972-73.

The authors also assume that scrapping will continue at a high level—and that current efforts to produce scrap and build schemes will have some success in stimulating even higher demolition levels.

The report warns, however, that the projection of balanced supply and demand in 1981 does not preclude boom conditions in that year. Shipowners, the report argues, will soon start to anticipate the improvement by ordering new ships and thus delay the recovery to some extent.

Continued expansion of developing country fleets could further extend this delay. This is a cheering note for shipbuilders. Terminal Operators believes that the current rate of ordering of 13m dwt a year

represents the bottom of the shipbuilding trough.

Meanwhile in the markets last week the busiest spots were the tanker loading areas outside the Gulf. A 120,000 dwt tanker took a 115,000-ton cargo in the Mediterranean for discharge in the U.S. Gulf at the impressive rate of Worldscale 105. Rates were also firm or improving in West Africa and the Caribbean.

In the grain markets rates continued to decline slowly. Raw materials are doing slightly better with fairly stable rates for Atlantic rope business and in the ore trades.

A review of the shipping market to 1981: Terminal Operators, Rodwell House, Middlesex Street, London E1 7JL. £65 (UK), £67 (overseas).

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# MANUFACTURERS HANOVER CORPORATION & Subsidiaries

Consolidated Statement of Condition, December 31, 1978

ASSETS	
Cash and Due from Banks	\$ 8,087,619,000
Interest Bearing Deposits with Banks	3,679,769,000
Federal Funds Sold and Securities Purchased under Agreements to Resell	263,800,000
Investment Securities	
(Market Value of \$2,528,660,000)	2,599,852,000
Trading Account Securities	
(Market Value of \$118,556,000)	118,551,000
Loans	22,381,346,000
Lease/Financing Receivables	1,264,002,000
Total Loans (Net of Unearned Discount of \$426,009,000)	23,645,348,000
Less: Reserve for Possible Loan Losses	(196,120,000)
Net Loans	23,449,228,000
Premises and Equipment	189,718,000
Customers' Liability on Acceptances	1,464,594,000
Accrued Interest Receivable	431,019,000
Other Assets	821,701,000
Total	\$40,605,849,000
LIABILITIES	
Demand Deposits	\$11,921,319,000
Savings Deposits	1,384,507,000
Other Time Deposits	8,670,135,000
Deposits in Foreign Offices	12,432,919,000
Total Deposits	32,408,880,000
Federal Funds Purchased and Securities Sold under Agreements to Repurchase	1,548,515,000
Short-Term Borrowings	1,944,612,000
Acceptances	1,509,010,000
Accrued Taxes and Other Expenses	695,384,000
Other Liabilities	437,987,000
Long-Term Debt	680,415,000
Total Liabilities	39,204,803,000
SHAREHOLDERS' EQUITY	
Preferred Stock (without par value)	
Authorized—10,000,000 shares	
Outstanding—13,947 shares	697,000
Common Stock (par value \$7.50)	
Authorized—40,000,000 shares	
Outstanding—32,628,755 shares	244,716,000
Surplus	424,519,000
Undivided Profits	731,114,000
Total Shareholders' Equity	1,401,046,000
Total	\$40,605,849,000

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UK NEWS

Underlying reserves level looks stable

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE RELATIVE firmness of sterling in foreign exchange markets in spite of Britain's industrial troubles is likely to result in little change in the underlying level of the official reserves this month.

On a couple of days there may have been intervention to hold down the rate. Sterling's firmness in the face of the UK's labour troubles may have surprised the authorities although it may be partly explained by the market's continuing doubts about the dollar and by tight domestic monetary control in the UK.

The Government has thus, so far avoided the possible dilemma of trying to maintain the broad stability of sterling against the currencies of the UK's main trading partners. The Special Drawing Right allocation will add \$370m to the reserves. It is the first of three

Counties likely to raise rates 20%

BY PAUL TAYLOR

RATEPAYERS are likely to have to pay an extra 20 per cent or more for county council services in England and Wales in 1979/80 if provisional figures prepared by some County Hall treasurers become the norm.

Inmos micro-chip pilot plant backed by NEB

BY JOHN LLOYD

INMOS, the micro-chip company backed by the National Enterprise Board, will begin pilot production of its first devices by the end of the year in the U.S.

The first products will be available to U.S. customers early in 1980. It is expected that many of these will be advanced memory storage devices.

The Bristol centre will concentrate on micro-computer development, expected to be a rapidly growing market. It will work closely with Colorado Springs in these developments.

Community Land Act 'a waste of time'

By Michael Cassell, Building Correspondent. THE COMMUNITY Land Act is proving "a dismal failure" and is wasting time and public money, according to Mr. Michael Latham, MP, former director of the House-Builders Federation.

Savings value 'halved'

BY ERIC SHORT

THE REAL value of savings has been halved over the past nine years according to the Antony Gibbs Financial Services savings index, published today.

Brokers think bank profit increases will average 15%

BY MICHAEL LAFFERTY

THE 1978 pre-tax profits of the "Big Four" London clearing banks will be 15 per cent higher than last year. This is the average of seven forecasts by leading stockbroking firms.

by the Big Four for 1978 and subsequent accounts. The only significant difference in expected pre-tax profits is for Barclays, where Greenwell's forecast drops from £344m to £330m.

Saab-Scania plans UK buses drive

BY LISA WOOD

SAAB-SCANIA, the Swedish engineering group, plans a renewed assault on the UK bus market, which is dominated by Leyland Vehicles.

Money curbs may boost bankruptcies

BY DAVID FREUD

STRICT CONTROL of the money supply will not stop the rate of inflation rising, according to Mr. Gordon Pepper of stockbrokers W. Greenwell and Co. However, it will stop inflation accelerating out of control.

He went on: "What preceding and coincidental control of the money supply can do is to stop inflation from accelerating out of control. As inflation rises, economic activity slows. Inflation subsequently stops rising and then falls as the supply of goods and services in general, including labour, exceeds demand."

Prices plan attacked by CBI

By David Churchill

GOVERNMENT PLANS to strengthen the Price Commission, due to be debated by the Commons today, have been sharply criticised by the Confederation of British Industry.

Coal Board buys seismic stake

Financial Times Reporter

IN A BID to expand its mineral development and exploration interests, the National Coal Board has agreed to purchase a stake in S and A Geophysical, the seismic surveying firm for the Coal Board, which through its wholly-owned subsidiary, NCB Ancillaries Group, makes general and special core analysis for the off-shore oil industry and can offer computer services for processing seismic data.

Essex seeks response on Canvey report

THE GOVERNMENT is being pressed by Essex County Council to make a statement over a safety report on the Canvey Island oil refinery.

Air freighters from Texas

EMERY AIR FREIGHT has started a daily air freight forwarding service from Houston direct to London.

Islander aircraft group sold

By Lynton McLean

THE FORMAL contract for the takeover of the assets of Britten-Norman, the Isle of Wight aircraft company, by Pilatus Aircraft of Switzerland has been signed.

Lord Robbins pessimistic about EMS

BY DAVID FREUD

EVEN IF the proposed European Monetary System comes into force, the prospects of a lasting and successful monetary union for a united Western Europe remain as distant as ever, according to Lord Robbins.

Government 'placed to defend economy'

BY OUR ECONOMICS CORRESPONDENT

THE GOVERNMENT is in a relatively good initial defensive position to face the financial and economic uncertainties produced by current inflationary pressures, according to Dr. David Lomax, economic adviser at National Westminster Bank.

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IN A BID to expand its mineral development and exploration interests, the National Coal Board has agreed to purchase a stake in S and A Geophysical, the seismic surveying firm for the Coal Board, which through its wholly-owned subsidiary, NCB Ancillaries Group, makes general and special core analysis for the off-shore oil industry and can offer computer services for processing seismic data.

Essex seeks response on Canvey report

THE GOVERNMENT is being pressed by Essex County Council to make a statement over a safety report on the Canvey Island oil refinery.

Air freighters from Texas

EMERY AIR FREIGHT has started a daily air freight forwarding service from Houston direct to London.

TEXACO HAS followed the other major oil companies in the UK in telling the Price Commission that it intends raising the price of all its oil products by 2p-3p a gallon.

PLANT & MACHINERY SALES. Description Telephone. ROLLING MILLS. 5in x 12in x 10in wide variable speed. 4000 TON HYDRAULIC PRESS. Upstroke between columns 52in x 52in daylight 31in.



Common Land Act 'a waste of time'

# Engineering industry fears long-term harm

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

expressed by the engineering industry about the effects of the road haulage dispute on exports and the consequent damage to their financial position.

Most of the industry exports much of its output. Regular payment is essential for cash flow. But more and more companies find either that they cannot get their goods into the docks, or that goods are not moved from the docks.

The industry's many smaller companies are generally less able than large concerns to wait for payment, and may have more difficulty persuading their bankers to take a tolerant view.

A joint statement yesterday from the Engineering Employers' Federation and the Engineering Industries Association, which together represent 10,000 companies and 2.5m employees, said: "The inconvenience, disruption and even hardship now being felt are not the industry's main concern. Much greater anxiety is felt about the industry's medium and long-term prospects."

Interrupted cash flows and lost markets, particularly overseas, will mean less employment, less investment and in some cases bankruptcy, it says. Such effects are likely to be irreversible.

Companies covered by the Export Credits Guarantee Department will get no help apparently, as ECGD terms do not cover non-delivery in this country.

In the home market, much of the industry's production is in components for other industries. Closures in the motor industry have started to affect suppliers.

Lucas Industries and GKN expect difficulties to mount next week.

To get materials in and finished goods out, some companies are moving goods at night and at weekends.

Lay-offs at the end of last week were estimated to total only 20,000, according to the employers' federation. Short-time working is widespread, but the federation says it cannot quantify it because many employers are not sure how they stand as regards the guaranteed working week.

Lay-offs at the end of last week where companies, unable to get certain materials or components, are producing items for which they have materials, putting them into stock rather than producing against orders.

Of long-term concern to the industry is the harm being done to its export image when companies such as Volvo, fall to function properly for lack of supplies from this country. Salesmen report that overseas customers are running out of patience.

Obvious reasons Margaret Hughes writes: Since seven-tenths of British exports, £24.5bn by value last year, are transported by sea the immediate effects of the strike on trade are obvious.

However, the long-term effects are perhaps more damaging, since the delays will inevitably revive UK exporters' poor reputation for poor delivery dates: a reputation they were just beginning to lose.

Mr. John Smith, Trade Secretary, confirmed last week that delays to export deliveries are

serious. However, he observed, it is impossible to quantify the disruption. Nor will a clear picture emerge when this month's trade figures are published, since in practice the export and imports total cover different periods.

Monthly trade figures are based on documentation. Import documents are usually presented more quickly than export documents, which are usually put through after shipments.

That usually results in a time lag of some two weeks compared with imports. Roughly half this month's export total will thus refer to exports shipped in December.

Perhaps the best indication of the extent of disruption is the fall in the number of applications by exporters to Chambers of Commerce for certificates of origin and the sharp rise in the number of applications for Force Majeure Certificates.

Those verify that deliveries have been delayed by strikes or other disruptions outside the exporter's control.

Certificates of origin applications fell by a quarter in the first three weeks of this month compared with the same period of December. The London Chamber has in the past two weeks received 10 applications for Force Majeure Certificates. That compares with five issued in the whole of last year.

New export business being handled by air freight companies has risen markedly. Normally that accounts for 17 per cent of total exports. Vans and small lorries are apparently being allowed through to the air terminals and cargo airlines report many cargo charter inquiries.

## HOW ONE COUNCIL WORKER HOVERS NEAR THE POVERTY LINE

# A non-militant joins the town hall picket

BY PAULINE CLARK, LABOUR STAFF

WHEN Mr. Patrick Chesterman, the consultant orthopaedic surgeon at Battle Hospital, Reading, turned away trade union members from his clinic last Wednesday, he might easily have picked on someone such as Mr. Joe Perry.

Mr. Perry is one of the 1.5m public service workers involved in the co-ordinated trade union campaign of industrial action over low pay.

A town hall cleaner and porter in Shoreditch, in the East End of London, he had never been on strike before last week.

"Salt of the earth, is Joe," a fellow member of the National Union of Public Employees called him. "Straight up, straight down. He's no militant, just one of us."

Mr. Perry does not admit to any politics. He joined the union only when he took the job at the town hall.

He has wholeheartedly joined the council workers' picket line because, he says, with a wife and three children aged 12, nine and four, he is finding it in-

creasingly difficult to make ends meet. Moreover, he fears that if the low paid do not fight hard now for a better deal, inflationary pay settlements elsewhere will make the going even harder for those who achieve only a 5 per cent increase this year.

The examples of the water workers, who look set to reject their latest 14 per cent pay offer, and of the lorry drivers, is a burning topic on Mr. Perry's town hall picket line.

Local authority manual workers' minimum wage rates range from £43 to £51.50 for a 40-hour week. Hospital ancillary workers, also part of the public services campaign earn from £14.50 to £19.32.

Mr. Perry is among the lowest paid, with earnings hovering close to the poverty line: the amount that qualifies a person to long-term supplementary benefits, including a rent allowance.

Without overtime, he says his gross earnings, including London weighting are £49.96 for 40 hours, leaving about £42 take-home pay.

So he regularly works 50 hours a week, including evenings, and on Saturdays when he can, to raise his total take-home pay to £52, on average. With child benefits, he wits the total family income at £57.

Does he qualify for social security benefits? "I don't know. I don't bold with that sort of thing. If an able-bodied man working 50 hours a week can't support his family, he may as well give up the ghost."

The Perry family indulges in few luxuries. They have not been away on holiday for seven years and the strike has ended their hopes for a week this year in a holiday camp on the Isle of Wight.

They do not smoke, and the only drink in the house is half a bottle of sherry and a bottle of port, both left over from Christmas.

The family has one outing a week: either a trip to Mr. Perry's parents or a night in the social club on their council estate, where Mr. Perry likes a couple of beers. He never goes to the pub.

He manages to keep a car:

a 12-year-old Triumph 2000 which, being a bit of a mechanic, he maintains. He believes it important to be able to take the children to the seaside occasionally and he uses it to get to work.

The other "luxury" is a telephone: the Perry's want to be able to call a doctor if the children need one.

The family television is black and white. The Perrys say that they have to watch every penny. Mr. Perry knows down to the last pound what the weekly family expenditure is, and during the winter when heating costs are high there is nothing to spare.

Rent for a council flat with three bedrooms (one a box room) is £14.90 a week. Spending on food, plus a £2.30 weekly milk bill and £2.50 a week for the two older children's school lunches, averages £20 a week. Mr. Perry eats lunch at home.

In winter, gas works out at £11.50 a week and electricity at £4.50. The telephone costs the family between £10 and £11 a quarter, mostly in rental.

Adding another £2.40 a week for petrol, the total, excluding clothes, prescription charges or anything extra, comes to £61.10 a week.

Mrs. Irene Perry, who feels that she cannot go out to work until the youngest child is a bit older, concedes that the total household expenditure is more than the total income, but says that she manages most of the time "with a bit of juggling" to avoid ruoming into arrears on rent. Savings on heating in the summer help to make up the balance.

She is worried, however, about how the family will fare during the strike.

Mr. Perry is 47 and feels trapped. He had to leave school at 15 because his parents could not afford to keep him there. He went into shoemaking, but jobs in shoemaking factories are low paid.

It is too late for him to train for a skilled job so he sees no alternative to joining his colleagues and supporting the battle for a decent living standard in the future.

## Bank staff set to fight longer hours

BY OUR LABOUR CORRESPONDENT

MEMBERS of the National Union of Bank Employees will be urged at a conference today to maintain opposition to the opening of domestic bank branches on Saturdays.

The union has called the apical delegate conference in London to consider what it sees as threats by the English clearing banks to extend opening hours.

Delegates will be urged to endorse an executive policy of

general opposition to the idea. The executive is arguing that there should be no agreement on extended hours or shift working until a proper negotiating structure, including national machinery, has been agreed by the clearing banks.

The executive also says there must be a "substantial premium" in pay rates, moves to award a four day week and an agreement that no employee should be compelled to work outside normal hours.

## Tory trades unionists caution Thatcher

BY OUR LOBBY STAFF

CONSERVATIVE trade unionists cautioned the party leadership at the weekend against rushing into legislation to control unions. At its first meeting since Mrs. Thatcher floated her new ideas for curbing union power, the Conservative trade unionists group came out firmly against secondary picketing but warned that legislation should only be introduced as a last resort.

Like Mrs. Thatcher, the group favoured the idea of a voluntary code of conduct to clamp down on picketing by workers not directly involved in the dispute. They also supported her call for more secret ballots. But they fell out with her over the question of penalising workers who struck without having first voted in a secret ballot.

Three weeks ago, Mrs. Thatcher floated the idea of withholding social security bene-

fits from strikers unless their action had been authorised by a secret ballot.

Mr. James Prior, Conservative Employment spokesman, asked whether he could use this meeting to discuss his ideas for encouraging the use of secret ballots in union elections and strike decisions. But discussions were broadened to cover all the issues raised by recent industrial dis-

# Banks expected to give strike-hit companies sympathetic treatment

BY JOHN ELLIOTT AND MICHAEL LAFFERTY

CLEARING BANKS are expected to give sympathetic consideration to the needs of companies facing cash flow problems as a result of the lorry drivers' strike.

This follows an approach last week to the Bank of England by Mr. Joel Barnett, Chief Secretary to the Treasury, after the Government's emergency ministerial committee had received reports that companies were running into problems.

Mr. Barnett asked the Bank to pass on to the clearing banks the Government's wish that short-term cash problems should be treated with special sensitivity.

The four main clearing banks

have now indicated that they will go along with this.

The Government's concern about the problem was voiced in the Commons on Friday by Mr. Eric Varley, Industry Secretary. It was echoed at the Confederation of British Industry's economic situation committee whose quarterly industrial trends survey will present a gloomy report when published tomorrow.

Mr. Varley and other ministers decided to help companies through the approach to the Bank of England.

It seems unlikely, however, that the Government will use its own selective financial aid schemes to ease such short-term problems, partly because

it believes that a relaxed approach by the banks should be sufficient in most cases.

So far, however, the clearers report little evidence of companies running into trouble. Most companies have agreed overdraft limits and, according to Barclays Bank, probably still have much elbow room.

A factor which could aggravate present difficulties would be a rise in Minimum Lending Rate. Barclays reports it is now lending to "blue chip" companies at a slight loss as a result of recent rises in three-month interbank rates. Nevertheless, Barclays is not forecasting a rise in base rates, though it sees little prospect of a fall for some time.

# Courtaulds lays off 1,000

BY LISA WOOD

COURTAULDS stopped 80 per cent of production yesterday at its acrylic fibres plant, at Grimsby. More than 1,000 workers were laid off.

The company said that though the Transport and General Workers' Union had given dispensations for raw materials to pass picket lines, distribution of finished products from the plant had been so severely restricted that storage space was exhausted.

It denied claims by unions that picketing was a scapegoat for layoffs and that the real

reason was small order books which had nothing to do with the lorry drivers' strike.

Courtaulds said that if it was allowed to operate its Grimsby plant "as normal" it would be manufacturing to capacity.

"Courtaulds closed another Grimsby plant, making viscose fibres, last week, and 250 workers were laid off. The company has more than 7,000 workers laid off.

It said that if picketing was not eased more workers would be dropped next week at fibre and packaging plants.

Some companies expressed a little optimism. Metal Box hoped that its food and beverage canning work would be improved next week when British Steel Corporation opened its tinplate warehouses in South Wales for an extra shift.

Dunlop, which closed its four tyre plants two weeks ago, laying off 4,700 workers, hoped that some plants would reopen next week with some of its suppliers' drivers back at work.

Once supplies are available the factories will start immediately.

# Opponents at Times entrenched as ever

BY ALAN PIKE, LABOUR CORRESPONDENT

LORD THOMSON of Fleet, president of the International Thomson Organisation, will arrive in Britain this week as the shut-down at the company's Times Newspapers enters its third month.

He will find positions as entrenched as when he visited Britain from the company's Canadian headquarters soon after Times Newspapers' management suspended all publication of The Times, the Sunday Times and the three Times supplements on November 30.

No substantial attempt has been made to break the deadlock since December 15, when Mr. Albert Booth, Employment Secretary, produced a formula that would have allowed the company and unions to negotiate on all outstanding issues leading to the closure, including new disputes procedures and the introduction of computer composition.

The negotiations have never taken place because union leaders refuse to meet the company until it withdraws dismissal notices sent to more than 3,000 employees the day after the formula was agreed with Mr. Booth.

About 1,000 employees have left and notices of the remainder will expire by March 13. Another 1,100 staff, including journalists, will continue to be paid because they have signed agreements with the company. The mass dismissals have

united print union leaders in a common determination not to negotiate with Times Newspapers until the notices are withdrawn and dismissed employees reinstated. The company said yesterday, however, that its position on the dismissals remained unchanged.

Union officials privately agree that were negotiations to resume, disagreements over contracts of employment and new disputes procedures—Times Newspapers has suffered serious production losses because of unofficial strikes—might be resolved. The fundamental issue remains the introduction of computer composition.

Times Newspapers insists that arrangements for its new computer-based composing system must allow for eventual direct input from journalists and advertising staff as well as print workers in the National Graphical Association.

Amalgamation

Although common in North America, direct input from non-Association members exists in Britain only at the Nottingham Post, where the National Union of Journalists is in dispute over the dismissal of 25 of its members involved in the recent provincial journalists' strike.

Mr. Joe Wade, the Association's general secretary, said that it would be prepared to allow advertising staff to input

into the composing system enough details of advertisements to enable the company to benefit from a computerised accounting system, provided that Association members remained responsible for setting the text.

Beyond that, the Association suggests that discussion on non-NGA inputting should be shelved for an agreed period of up to five years.

It hopes that, by then, moves towards establishing one union in the printing industry may make it easier to agree.

Although a ballot this month rejected an amalgamation between the association and SLADE, the process workers' union, amalgamation talks within the industry will continue. They are likely to include the NGA and the National Society of Operative Printers, Graphical and Media Personnel, which represents tele-ad staff.

Mr. Wade accused Times Newspapers of trying to achieve "Programme for Action," a plan for the introduction of new technology in Fleet Street, which has been rejected in ballots of print union members, "through the back door."

He said: "I supported 'Programme for Action' but it was rejected by the membership and I must accept that. In my view Times Newspapers could achieve 90 per cent of what they are seeking by negotiation. But the dismissals must be lifted if negotiations are to become possible."

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# Building and Civil Engineering

## Townson kept busy

CONTRACTS won by William Townson and Sons, and its subsidiaries add up to over £3m.

Work in hand on several large estates devoted largely to industrial premises, and owned either by Townson Developments (Lancashire) or by a jointly owned company called Lyn Town, totals about £5m so far as actual building is concerned.

Operations are in progress in Bolton, Wythenshawe, Littleborough, Lostock, Eccles, Roch-

## Fairclough's £7½m jobs in East Anglia

EAST ANGLIAN division of Fairclough Building has been awarded contracts worth £4.5m, while contracts worth more than £3m have gone to the company's north western division.

A new Co-op store in Colchester town centre for the Colchester and East Essex Co-operative Society, is worth £1.6m.

New housing contract worth £1.3m, awarded by the Peterborough Development Corporation, is for 112 houses to be built at Paston.

Meanwhile, at Stoke Park Drive, Ipswich, work has begun on 63 flats under a £720,000 contract for the World of Property Housing Trust.

Further work here is a £140,000 housing contract for modernising homes in Alderman Road, and building extensions costing £130,000 to Rank Hovis

## Road work worth £6.9m

NEW MEMBER of the Norwest Holist group, Robert McGregor and Sons, has been awarded contracts totalling £6.9m.

Major contract (at £4m plus) has been awarded by the Gwynedd County Council Highways and Transportation Department, on behalf of the Welsh Office, for the construction of the Dolgellau by-pass on the Cardiff-Glas Donwy trunk road (A70).

This entails the construction of about 6km of new carriageway, a viaduct over the Afon Union (and diversion of the river), river retaining wall, two bridges, and two minor structures.

## £5m hotel in Ramsgate

WORK IS expected to start this spring on an eight-storey hotel in Ramsgate, Kent.

It is understood that detailed planning has been approved and that it will be built for Bradbury House Investment by Wiltshires. The hotel will have 145 bedrooms on five floors and will include conference rooms, a public restaurant, casino, coffee shop and discotheque.

## Gleeson in a variety of jobs

FOUR MAJOR jobs just won by Gleeson add up to most of the £3.6m worth of new work the company has announced.

For Trent Regional Health Authority, the residential accommodation phase 1 of the Chesterfield District General Hospital is to be carried out at a total cost of over £1m.

Eleven blocks of two-storey buildings of traditional construction are foreseen, together with site layout, drainage, roads, car parks and engineering services.

## £2m store for Laing

ABERDEEN'S skyline will alter when a seven-storey extension to Littlewood's is completed under a £2m contract awarded to John Laing Scotland.

This will be built alongside the existing store and partly within the shell of a listed building, the facade and roof being retained and incorporated in the new structure.

## Five awards to Marriott

THE RUSHDEN-based subsidiary of French Kier Holdings, Robert Marriott, has either commenced or will shortly start on five new contracts totalling about £3.58m.

Largest job is for Milton Keynes Development Corporation where 138 dwellings are to be built at a value of £1.75m.

Other housing contracts include 51 old persons dwellings for the Anchor Housing Association in Peterborough, at a value of £600,000, and 41 old persons bungalows for Northampton Development Corporation for £490,000.

## Sewerage schemes

WORK FOR improving environmental conditions is worth nearly £2m to Kennedy Civil Engineering of Manchester.

Main drainage, involving 3,600 metres in open cut, is the basis of the Eastern Valley intercepting sewer, worth £1.6m, for the City of Stoke-on-Trent Environmental Services Department. Work on this job has just begun.

For Welsh National Water Development Authority, Llandudno, a £327,000 contract involves 1,300 metres of pipes in open cut, a ten metres deep reinforced concrete pumping station, two storm water outfalls, and river outfall into the River Cooway. Work will start on this job on March 1.



Architects' impression of a £1.8m council offices project at the Causeway, Braintree, Essex. It is understood that Wiltshires will be the main contractor and that work will start in July or August. Architects are Ley Colbeck & Partners.

## Offices and factories

THREE CONTRACTS won by Taylor Woodrow and Myton (member of the group) have a combined total of £2.1m.

The largest contract is for £10,966 and is for work for Howard de Walden Estates, involving the conversion of existing five and six storey buildings into two self-contained modern office premises of 2,116 square metres at 13-15 Welbeck Street, London W.1. Work has already started and is scheduled to be completed in January next year.

## BUPA's £2m hospital

REDEVELOPMENT of Whalley Range, Manchester—a British United Provident Association hospital—will be undertaken by Pochin, the Middlewich building and civil engineering group, under a £2m contract.

Formerly St. Joseph's (from a Roman Catholic order), it had been run for 73 years by nuns and was bought last year by Britain's biggest private medical insurance group.

The new four-storey building will have 89 bedrooms, three operating theatres, consulting rooms, X-ray rooms, physiotherapy and pathology facilities, and will be the first hospital development to be undertaken by BUPA outside London. It will now be known as the BUPA Hospital.

## Homes in Lancashire

RENTED HOUSING schemes announced by the Central Lancashire Development Corporation will cost over £3m, and will be completed between the summer and end of 1980.

Almost £2m will be spent on a site covering about 12 acres, bounded to the north and north-east by a new golf course at Logol, Preston. This will result in 158 dwellings comprising one, two, three and four-bedroom houses. Contract is being carried out by Wimpey using its "no fines" system of construction which

## Airport facilities

MAJOR redevelopment of public catering and shopping facilities in London Heathrow Airport's Terminal 1 has now begun.

Costing over £1.5m, the improvements will provide a new self-service supermarket, two bars, a buffet, coffee shop and redesigned Aerogrill with ancillary kitchen and servicing areas.

Architects are Scott, Brownrigg and Turner and the contractor is Fairclough Building. Completion is due in 1980.

## £2m office block

SIR ROBERT McALPINE and Sons have been awarded a £2m contract by Ringmoor Properties for the construction of a six-storey office block in Station Road, Wood Green, London.

Completion is expected early in 1980.

Generally of reinforced concrete frame construction with brick cladding, the new structure will measure 20 metres on plan, rising 27 metres above a basement. It will be air-conditioned and centrally heated throughout and be served by two passenger lifts.

Architects are Diamond Lock Grabowski and Partners. Also awarded to McAlpine is a £1m contract for the leveling, grading and opening of a massive concrete slab bank in Exmouth Road, Hartlepool, for the British Steel Corporation.

## £6½m to be spent on housing

FOUR HOUSING contracts worth more than £6½m have been approved by Telford Development Corporation, Shropshire.

Work will start in March on a £2.6m programme to construct 200 dwellings in Shawbush (the final housing site in the north-west of the new town) by Fairclough Building of Brownhills, Staffs.

March will also see the commencement of an £800,000 contract for 59 properties at Shawbush by Second City Construction of Telford.

A total of 112 dwellings, Phase 4 of the Leasemery housing programme will be built by Martin Construction of Birmingham under a contract worth more than £1.5m.

The final stage of housing at Malinslee, involving 113 dwellings, comprises of a £1.6m contract awarded to Deemy Construction of Coventry.

## Work in W. London

WORK IS underway on a new office building for the Electricity Supply Network at King Street, London SW6, under a £1.7m contract awarded to Higgs and Hill Building.

Constructed on raft foundations, the four-storey building will have a reinforced concrete frame and will be brick clad. Upon completion it will provide 30,000 square feet of office accommodation, with shop units at ground and basement level.

Further down this main company's building is a Boots £1m expansion to be topped out on February 8 and due for completion in September this year.

Marconi has awarded Tilbury Construction a £700,000 contract at its subsidiary's premises (Marconi Space and Defence Systems) at Stammore, Middx. Tilbury is already undertaking a £11m job at this site.

# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

### OFFSHORE INDUSTRIES

## Abu Dhabi pipeline

R. J. BROWN and Associates, together with Omnium Technique des Transports par Pipelines (OTP), has been awarded a contract, which it is believed could be worth about \$25m, by ZADOC (Zakum Development Company) to provide engineering, procurement and construction management services for an extensive marine pipeline network in the Upper Zakum oil field off Abu Dhabi.

The pipelines, ranging in size from 6 to 49-inch diameter, will perform three major functions: oil gathering transmission, and offshore loading; duction complex and water injection. RJBA is also responsible for three large-capacity buoy-type tanker loading terminals offshore Zirku Island.

Other work involves a considerable number of platform riser systems, and a comprehensive power and communications cable network linking the central complex with three satellite platforms.

### METALWORKING

## Portable pipe lathes

BECAUSE THEY are small, light in weight, coupled with the mandrel method of location, portable pipe lathes for bevelling, end-facing and counter-boring can be applied to many awkwardly placed fixed pipe-ends in situ—for example, to the tapered nozzles of turbine casings to which plates may have to be welded for pressure-testing.

The machines are also suitable for repairing or extending plant pipework without calling in outside contractors, claims Huntingdon Fusion Techniques, 7, Clifton Road, Huntingdon Cambs, PE18 7EJ (0480-68878).

## Drawing lubricants

FOUR lubricants developed by Pyrene Chemical Services are claimed to be suitable for all deep drawing and pressing operations.

Classified in two main groups—filled and unfilled—all of the lubricants can be removed by Pyrene alkaline cleaners, enabling the company to provide a lubricant/cleaner combination. The unfilled lubricants are also vapour degreassable.

All four products are said to prevent scoring of metal

### INSTRUMENTS

## Gives exact voltage

AVAILABLE from Farnell Instruments, Sandbeck Way, Wetherby, Yorkshire LS22 4DH (0937 3541) is the model 8100 precision voltage standard made by Data Precision in the U.S.

The unit provides two simultaneous outputs. One of these is variable between zero and plus or minus 11.111 V DC in steps of 100 microvolts and is accurate to about 50 parts per SHRD CMFV SHRD SHRDLU million (ppm), while the other extends to -11.111 millivolts with a resolution of 1 microvolt per step.

Voltages in both cases are selected by five rotary decade switches with a vernier control spanning the least significant digit.

The 11-volt output can provide a maximum current of 50 mA while the millivolt terminals can supply 50 nanoamps; both can be floated to 500 volts with respect to ground.

Linearity of the outputs is better than ±25 ppm, the temperature coefficient is less than 2 ppm per degree Centigrade, and the long-term stability is claimed to be ±15 ppm over 60 days.

## Examines each line

USING A trigger and time base unit made under licence from the BBC, Gould Instruments Division has introduced a video monitoring oscilloscope of interest to all those concerned with television, telex and Prestel.

In terms of waveforms, the instrument can be triggered to look at field one, field two, fields one and two alternating, lines at random, and a specific line selected from front panel switches associated with a line number LED display. Line pairs can also be observed.

Triggering can be delayed by up to 80 microseconds using a multitrans potentiometer, allowing the signal to be examined in detail.

When the instrument is used to display a complete television picture, the triggering point that has been selected for waveform purposes can be seen as a bright-up line of the raster, enabling waveform to be rapidly related to picture content. This change from traces to picture is by means of a single front panel switch.

More about the OSS350, which can be used as a single time base general purpose oscilloscope if necessary, from Roebuck Road, Hainault, Essex (01-500 1000).

### DATA PROCESSING

## Burroughs upgrades smaller units

BURROUGHS MACHINES, making use of the latest logic and memory chip technology, has re-organised its 1800 series of small to medium scale computers of which there are about half a dozen versions, into three compact machines.

The advantages of the new units however, in terms of both software and hardware, are available to users of the existing machines in the range.

Machine now at the top is the 1885, which has two independent central processors sharing a common memory, the entire system being managed by one copy of the operating system (the master control program, or MCP). The company describes the computer as "unique in its price class."

Indeed, all three versions are oriented towards on-line and interactive processing: data entry, program development, reporting and inquiry, data communications and data management can all be so conducted.

A minimum 1885 dual processor has about 13m bytes of memory, 13m bytes of expanded memory, 13m bytes of expandable disc pack and 130 line/min printer, multiple line data communications control and an operator display console. Basic price with four VDUs is \$95,600 plus \$280 for systems software.

## Captures a mass of sea data

CONSIDERABLE flexibility in terms of scanning characteristics is offered by Sealog 18, a multichannel data logger/recorder intended for long periods of unattended operation in oceanographic and offshore survey use.

Extensive use of CMOS integrated circuits combined with a purpose-designed stepping motor tape transport enables the total power consumption to be kept down to less than one watt (120 micro-watts on standby). By using a pair of tape transports slaved to a single set of recording electronics, a data capacity of more than four megabits has been achieved.

The unit multiplexes 16 single-ended analogue inputs over a voltage range of zero to plus or minus five volts. Scan interval can be varied from one to 20 hours in increments of one hour, and the scan duration can be from five minutes to one hour in increments of five minutes.

## Amplifier for instrumentation

SUPPLIED AS a 24 pin dual-in-line package of either ceramic or metal construction, the 3607 instrumentation amplifier from Burr-Brown International can have its gain set to any one of 11 binary weighted values from one to 1024 volts per volt.

Gain variations are produced by wiring selected pins together; the device is a variant of the 3606 in which the gain setting is controlled by four TTL level inputs. The new device has fewer parts and costs less, but has the same analogue performance.

This monolithic amplifier, which makes use of thin film techniques and laser trimming, offers a maximum offset voltage variation of less than plus or minus 25 millivolts when a gain change is made with no external adjustments; with two simple offset adjustments the change can be limited to under 2 mV.

## Companies analysed

COMPILED mainly from information filed at the Company Registration Offices in London and Edinburgh, the latest survey of the electronics industry from Jordan and Sons (Surveys) companies, ranking them by various yardsticks and listing financial and employment figures for each.

Three years' historical data is also provided so that company trends can be assessed.

At the top of the list of the 20 largest quoted companies when ranked by sales is GEC at £2,348m, followed by Thorn Electrical, EMI, Plessey, ICL, Rank Organisation and Smiths Industries. Racal is 12th at £183m.

Listed by pre-tax profits to sales, however, Rank rises to the top with 28 per cent, followed by Racal at 27 per cent, and then Averys, B.S.R., GEC.

Similar "league tables" are given for the 20 largest private companies (Budenberg Gauge scored 20 per cent return on sales to win), and the 20 biggest foreign-owned companies. (IBM United Kingdom Holdings at the top with 19 per cent).

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

### MAINTENANCE

## Purifies the pool

THE GREEKS had a word for it (ozo, meaning smell) and it became ozone—a very powerful, bactericidal and oxidising agent. It should be the strongest purifier for water treatment—necessary in many swimming pools say the Belgians.

Equipment to work with a normal filter system, based on ozone, is called Operator EC, and is introduced to the UK by Equipex Europe, Nieuwlaarweg 15, B-2850 Keerbergen, Belgium.

A mist for enclosed pools, the developer claims, use of ozone will make pool water hygienic, free of harmful bacteria and bothersome algae, and remove any smell, unwanted colour and unpleasant taste, obviating the use of chlorine or other chemicals.

Pool maintenance and water treatment chores are said to be carried out automatically—all that is needed is air and a few pence worth of electricity.

The unit is simply connected to the filter-to-pool return line, and ozone is produced by passing air through a generator. Part of the air's oxygen is thereby converted to ozone, and both ozone and air are then thoroughly mixed in three stages with the water flowing through the unit. This is accomplished in the mixing tank by the company's patented procedure.

### SECURITY

## Check on watchmen

CARRIED BY means of a shoulder strap and weighing only 0.8 kg (1.7 lb) the PR-500 watchman's patrol clock from BlicK International provides a convenient means of recording patrol movements during a tour of duty.

Individually numbered keys are hung at calling points along the patrol route and on arrival at each point the watchman records the time simply by inserting the station key in the clock. Location, hour and minutes of each visit are recorded in plain figures on paper tape which can be checked at any time to ensure that an adequate patrol pattern is being maintained.

The recorder has a quartz oscillator time reference built in which is powered by a dry battery with a life of at least six months.

More from BlicK Home, Techno Trading Estate, Bramble Road, Swindon, Wiltshire (0793 682401).

## Pallet on wheels

A CAGE-TYPE pallet which can be stacked or used as a shop counter (when goods are loaded on it either in the store or factory warehouse) has a lever-operated retractable undercarriage fitted with fixed and swivel castors.

This adds another dimension, as the pallet can be used for materials handling in factories and also wheeled easily into the most restricted space of a lorry, train, container, aeroplane, etc.

More from BlicK Home, Techno Trading Estate, Bramble Road, Swindon, Wiltshire (0793 682401).

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## Tough axles for rough terrains

DEVELOPED particularly for the 10 to 12-ton four-wheel drive excavator market, and for the range of site placer or telescopic handler rough terrain vehicles now coming on to the market, is the 3500 series of heavy duty axles, from Hamworthy Engineering (subsidiary of Power Druffry), Blyth, Co. Down, Co. Down (020 13 5133).

These axles are fitted with oil-immersed, multi-plate disc brakes, which make maximum use of oil capacity available for cooling. They are claimed to be easy to service and equally suited to either hydraulic or air-actuated steering.

The 3500 series is available in both rigid and steer drive form, with or without a centre pivot. Hamworthy says it is also developing a two-speed gearbox, for either axle or remote mounting, for use in conjunction with the 3500 range.

## Recovering energy

DESIGNED specifically for heating steam boiler feed water, by using the waste heat contained in the exit gas gases of boilers when firing on natural gas, is a range of economisers from H. Saacke, Fitzherbert Road, Farnington, Portsmouth, Hants PO6 1RX (070-18 83111).

This heat exchanger design should reduce the exit gas temperature of modern three-pass shell boilers and smaller water boilers, down from 230-250 degrees C to 120-140 degrees C, resulting in fuel cost savings of 4 to 5 per cent, and typical pay-back periods of nine to 20 months.

The unit comes skid mounted and pre-insulated with metal cladding and includes isolation and bypass valves for the feed water system, together with relief valve, feed water drain, dump valve and casing drain.

# FINANCIAL TIMES SURVEY

Monday January 29 1979

# Western Australia

Iron-ore mining has changed Australia's largest state from a sparsely-populated backwater to an exporter on the international map. Now Western Australia is looking for another boom that will sustain the momentum.

## State comes of age

By Philip Bowling

THIS YEAR Western Australia celebrates the 150th anniversary of its establishment as a colony. The first boatload of colonists, and their first governor, James Stirling, arrived from Europe in June 1829 aboard the 443-ton vessel *Parmelia*. They settled the flat land along the banks of the Swan River a few miles from its estuary—where Perth now stands.

Taken overall, Western Australia's century and a half cannot be said to be noted for its dynamism. Even now the state's population is only 1.2m, representing under 9 per cent of Australia's population, though the land area of 2.8m square kilometres makes it by far the largest state.

But such a long historical perspective is misleading. The many years of torpor hide the dramatic growth which has

taken place over the past 15 years or so. That growth has put Western Australia on the international map and ended its "poor relation" status in Australia. The state has come from nowhere to be the world's largest exporter of iron ore and the principal supplier—about 45 per cent—of ore to Japan's steel industry. The state also has become a leading exporter of alumina and nickel and now looks set for another boom—this time based on gas and uranium.

Meanwhile, the state has also continued to be a significant producer of wheat, beef and sheep.

The last mining boom changed Western Australia from a backwater into the country's fastest-growing state. Now it is looking for another boom that will confirm its growth status and ensure that the economy acquires self-sustaining momentum which will not have to rely on ever more-miraculous discoveries of natural resources.

The last three to four years have been frustrating ones for Western Australia, but the economy has continued to grow faster than the national average. And perhaps more important, the state has maintained its belief in growth itself. The doubts and introspection that have affected Australia's eastern states in recent years have troubled the west only slightly. Western Australia has confidence in the "self-image" it acquired in the 1960s as being the state of the future: Aus-

tralia's California. The foremost proponent of this view is Liberal Premier Sir Charles Court, who, as Minister for Industrial Development, presided over and did much to promote the mining boom. He makes no bones about his belief in the merits of high population growth and an open house to the investment needed to sustain high growth—foreign investment in extractive industries. His view, regarded as outdated in some eastern states, seems to reflect the tenor of the west.

### Demands

Conservation is now a force to be reckoned with in Western Australia, as in other parts of Australia. Fierce opposition from conservationists last year nearly stopped two big bauxite mining projects. The Labour Party opposition generally believes that the government is too accommodating to the demands of—mostly foreign—capital. But anti-growth sentiment in the West has never reached the pitch that it did in the East. And any feelings in the West that it could afford to sit back and enjoy what it already had rather than continue the pursuit of greater wealth have been eroded by the rise in unemployment which, at 6 per cent, is a little above the national average.

Currently, the trade unions are concerned to generate job-creating new investment, and the state Labour Party has

learned at the polls the electoral cost of too close association with federal Labour party policies which have appeared hostile to new mineral development. Policy is still far from bipartisan. There are differences of view on conservation, aboriginal land rights, the role of foreign capital and attitude to exports. But the state Labour leader, Ron Davies, has strongly backed export of the North-West Shelf gas deposits, and Labour took an uncertain stance on the bauxite mining battle between conservationists and the state government.

Although Western Australia gives the impression of being very open to mineral investment, it has never adopted a totally laissez-faire attitude. Sir Charles Court's policy always has been to tie the mineral developers to quite stringent obligations on mining practices, speeding on infrastructure, and the like.

Each major agreement between a mining company and the state has been enshrined in a specific act of the state parliament, giving certainty of rights and obligations to both sides. And so Sir Charles has emphasised the role of the state in minerals development at the same time as he has fostered belief in development itself and the merit of profits.

The fact that Western Australia has a growth philosophy, an investment-oriented state government, and an abundance of minerals waiting to be developed, does not guarantee

that development will take place. We may now be witnessing the prelude to a new great leap forward, another boom like those in iron ore and nickel in the 1960s, this time based on the world vogue of the moment—energy. In Western Australia's case that means gas and uranium.

However, it is also possible that we are seeing the Indian summer of the last boom. New nickel production—the Agnew mine—is now under way and there are firm development commitments in alumina production and iron ore beneficiation. But there is no definite major project to report yet in the new minerals—hydrocarbons, uranium and, most recently, diamonds.

Western Australia has discovered in the past—though it may have forgotten—that the zest can go out of growth and good intentions as quickly as it arrives. The colony began as a place for free settlers, not convicts, but later it had to bring in convict labour because of the scarcity of willing settlers. The gold rush into the Kalgoorlie region in the 1880s boosted the population and economy of the state, but never quite sparked the remarkable self-generating growth that the gold rush in Victoria had achieved earlier or that took place in Western America in California.

The 1920s was an era of rapid agricultural growth, good markets and high prices. But the 1930s brought slump and Western Australia was a backwater

for 30 years—until the iron ore boom of the 1960s.

The volume and quality of the 1960s iron ore finds were almost mind-boggling. But what was perhaps more remarkable was the speed with which markets were found and the deposits developed. Western Australia was in the right place at the right time to take advantage of the remarkable expansion of the Japanese steel industry. Without huge long-term sales contracts to Japan, the massive capital needed to develop Western Australia's rich but remote mines would not have been forthcoming.

### Assumptions

Nickel discoveries, notably those of Western Mining at Kambalda, also came at a favourable time from a market viewpoint. This good fortune engendered in Western Australia the assumption that what was found could be sold. The world, it was thought, was clamouring for Western Australia's resources. Such thinking was partly behind such phenomena as the Posidonio nickel share boom. It was easy to calculate an ore deposit's potential profit from the assumed amount of recoverable ore, a reasonable estimate of production costs and the assumption that all the product could be sold at prevailing market prices. There were flaws in all the figures, but most of all perhaps on price and marketability.

Markets are now the problem

for most minerals. Iron ore output last year was its lowest since 1972, and 10 per cent below its peak and nickel producers have been cutting back output.

The North-West Shelf gas deposits still await the signing of the big export market contract needed to make the project viable. And though selling the uranium should not be a problem, the whole question of the uranium industry has been clouded until recently by widespread opposition to the export of uranium.

Uranium and natural gas are both examples of delays caused by federal government intervention into the minerals arena. In theory that should be subsidising, now there are Liberal/Country Party coalitions in both Perth and Canberra. But Canberra remains keen to exercise as much influence as possible and, meanwhile, impose its perception of Australia's resource bargaining power. The recent federal intervention to set limits for negotiation of bulk mineral contracts indicates that Canberra considers it has a better idea of world markets than the producers, which it believes are being exploited by the collective bargaining power of the Japanese.

Essentially, the federal government is trying to maximise prices. The companies—with the backing of the state governments in Western Australia and Queensland—are more concerned to maximise

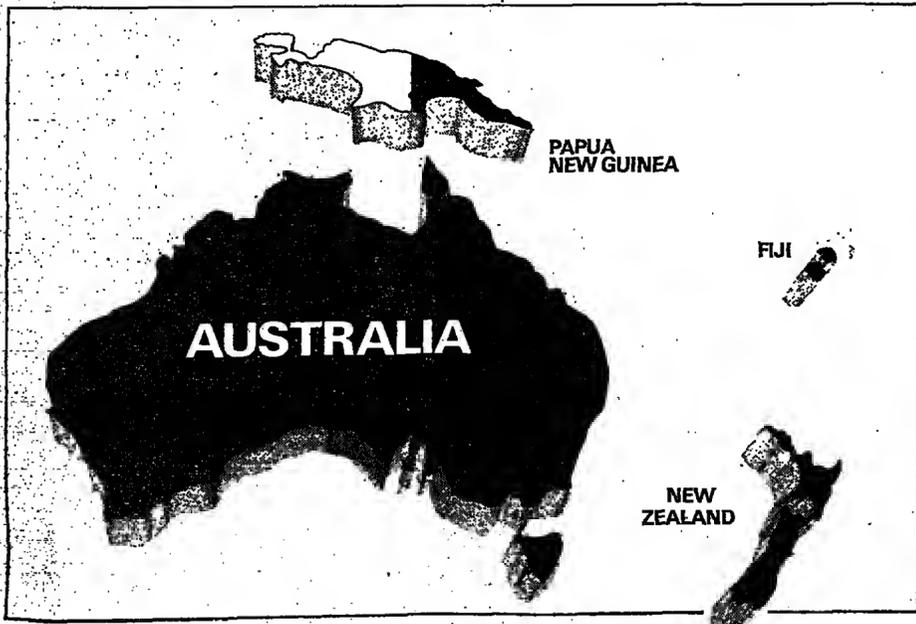
throughput. They want to maintain volume and their share of the Japanese market to discourage the Japanese from turning elsewhere for long-term contracts. Judging the competition—for example from Brazilian iron ore—is very difficult. But if new mines are to be opened up—and there are several iron ore projects which would be viable at current prices if sufficient long-term demand existed—volume will be the critical factor.

The key to the medium term is not iron ore, but gas. Although a very large part of the cost of production platforms, pipelines and liquefaction plant would be for equipment from outside, the overall expenditure is so huge in relation to the population of the state that an overall demand boom would be inevitable. There would be a lasting impact on the economy through the introduction of new servicing and engineering activities which would be needed long after the construction phase was over.

Other lasting beneficial effects would be the encouragement to light industry in the Perth area that access to a relatively cheap fuel would bring. Further demand for servicing will be created by exploration for oil in the deep water of the Exmouth Plateau area which lies beyond the gas field. Another likely benefit from development of the gas project would be the encouragement to light industry in the Perth area that access to cheaper fuel would bring.

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WESTERN AUSTRALIA II

Battles with Canberra

RELATIONS between Australian state and federal governments are seldom easy. Because of distance, and the nature of its economy, Western Australia has more reason than most states to find its local interests in conflict with central policy.

The producers naturally dispute this theory. They maintain that they have their negotiating position on world market conditions, of which they claim to know at least as much as officials in Canberra.

Now, states will be able to put up to the Loan Council additional projects which meet certain development criteria. And the states may be able to borrow overseas to finance these projects.

intentions means that states will find it easier to plan ahead to dovetail their infrastructure spending with whatever big-scale private developers may need in terms of access to utilities.

As a further spur to development, the state government also may be more prepared to pay for social infrastructure in mining townships such as schools, where it is clear that the development will have a very long life.

In purely economic terms, the case for an independent Western Australia is almost overwhelming. On its own it would be perfectly capable of meeting all possible borrowing requirements from world markets.



Western Australia. Secession never happened, but it is still talked about occasionally and iron ore pioneer Lang Hancock runs a Western Secession Movement.

The policy which has come in for so much criticism is a decision announced late last year by Mr. Doug Anthony, Deputy Prime Minister, leader of the Country Party and Minister for Trade and Resources.

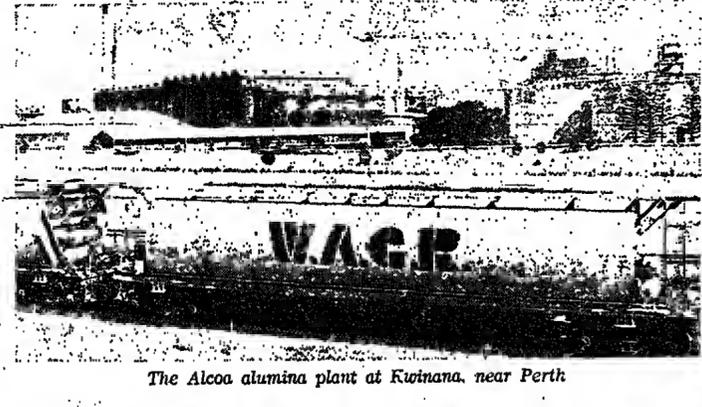
For the moment the new policy is being applied in a very gentle fashion. Approvals of negotiating limits and actual deals are said to be all but automatic.

The bright spot in federal state relations, and one which will help Western Australia more than any other state, is an agreement reached last year between Canberra and the states to give the states more flexibility in borrowing for capital projects.

For example, the attraction for private capital of the North West Shelf natural gas development has been improved by the State Energy Commission's agreement to build a pipeline from Dampier to the Perth area.

However, it needs an optimist to say that whatever the volume of oil and gas of the north-west coast it will be possible to develop heavy industry in the adjoining Pilbara region.

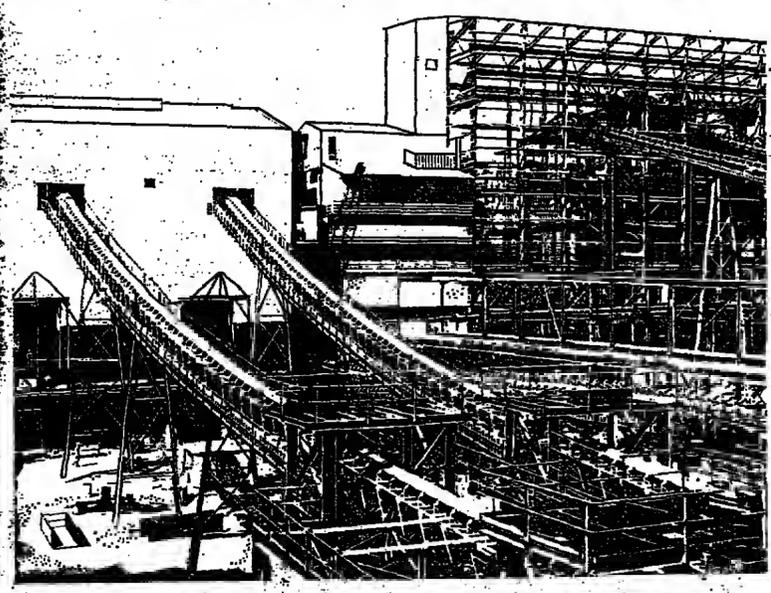
viding basic steel to the Japanese market, will be built within the next decade. This project was seriously considered in the early 1970s but shelved because of the world steel slump.



The Alcoa alumina plant at Kwinana, near Perth

SUCCESS STORY. Mitchell Cotts in Western Australia

Internationally active in service to the mining industry for more than half a century, Mitchell Cotts moved into Australia a decade ago. Since then it has earned for itself a first class reputation in Western Australia, providing project management, process know-how and design engineering and is able to supply specialist equipment backed up by modern and well established manufacturing facilities.



Hamersley Iron Ore Concentrator at Mount Tom Price. In the major expansion programme for Hamersley Iron Pty Ltd, one of the world's largest iron ore producers, Mitchell Cotts Consortium has undertaken the process design and manufacture of the A\$110 million concentrator.

Mitchell Cotts Group Limited logo and contact information: Cotts House, Camomile Street, London EC3A 7BJ. Tel: 01-283 1234. Perth, Sydney, Brisbane.

State comes of age

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provide the incentive but they also circumscribe the opportunities. In theory, the conservationists and those who say Western Australia needs quality not quantity as it develops may be right.

Interest in Asian affairs is not immediately apparent in Western Australia, but scratch the surface and there is widespread recognition that Asia and its markets are important and will become increasingly so.

Also, Australia's high labour costs and the need for massive infrastructure spending, do not suggest that Australia would enjoy sufficient comparative advantage to justify export-orientated processing industries.

There is still a possibility that a giant steel works, providing basic steel to the Japanese market, will be built within the next decade.

But what if it doesn't? A lot of hopes have been invested in the gas project. In the very short-term the economy is likely to be buoyed up by the recovery of the rural sector after two years of severe drought.

There are hopes that South Korea and Taiwan may be interested in long-term contracts, perhaps linked to investment in new mines.

There also has been talk of a direct reduction steel works using high-grade Pilbara ore. But that would need much cheaper gas than is at present likely to be available.

So although the economy is now much more broadly based than it was a decade ago, and still has several new projects in the works, it is also more vulnerable to changes in capital spending.

It might face one quite soon if gas does not go ahead and there is insufficient recovery in world steel demand to spur another big iron ore development.

There are pessimists who believe that the state is too rich for its own good. The more people know about this place the more they will covet it, they say.

Benefit from success. Mitchell Cotts can handle very large projects... project management... design engineering... process engineering... fabrication, equipment supply and construction.

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# Mining finds an ally

THE OIL companies' growing diversification into mining is foreshortening the slump that has given the industry in Western Australia a tough few years. Several nickel mines, opened in the boom that began 10 years ago, have gone on care-and-maintenance. The iron industry is flat after a decade of extraordinary growth. And although prospectors are still finding mineral deposits, mining engineers are finding it impossible to turn this into profitable ore.

However, the emergence of oil companies, as well-heeled and aggressive mining entrepreneurs is the most obvious factor among several which are turning the industry around to the point where continued firmness in metal markets will see shelved mines reopened and new ones developed. Inflation has slowed, strikes have eased, conservationists have lost ground, and governments are again accepting their responsibilities to provide mining infrastructure.

Shell has taken equity in the Mt. Windarra nickel mines, the cause of Poseidon shares rocketing from 70c to A\$286 just 10 years ago before the company went into receivership and sold out to Western Mining. Esso has joined Western Mining in a peace-making agreement to develop the Yeelirrie uranium mine (Vrangelischaft is the other partner); a A\$20m pilot plant is being established at Kalgoorlie to test Yeelirrie ore. Esso has also joined Amax and EZ to re-activate the Golden Grove copper prospect. Amoco is with Amx and Endeavour at the Fortescue nickel field. Aquitaine, with MIM and Serem, is sinking a decline shaft into Sorby Hills zinc in the far north. Atlantic Richfield's subsidiary Anaconda is among the heavyweight newcomers in the Kimberley diamond search; so are Shell and Amoco.

Prospectors who once would have headed for Western Mining, MIM, and CRA with their funds are now taking them to the oil companies, which they recognise as the last of the big spenders. Steelmaker and the leading miner BHP have become part of this trend, with Bass Strait petroleum accounting for most of its profits. It is no coincidence that BHP's exploration budget has been increased substantially; as a rule, oil companies are spending more and mining companies less in the field.

The painful winding back of operations is prompting a re-assessment of, operations jammed between falling prices and rising costs. At its peak inflation in Perth exceeded 20 per cent, but in the outback the rate at one stage rose above 40 per cent—a crippling uncertainty on attempts to turn prospects into projects. During this stage, only the Newmont-BHP gold mine at Telfer and the Selection Trust-MIM nickel mine at Agnew managed to get into production. Telfer has proved a bonanza and the Agnew mine, despite delays and disturbingly slack nickel market, came in below budget.

Strikes have never been the same problem in the base metals and coal mining industries as in the Pilbara iron mine. But company directors have always looked over their shoulders at the level of disruptions and wage costs that the Pilbara pioneered. A workforce chastened by recession is considered a plus for the whole industry. Similar pressures of economic reality have mellowed conservatism. But union leaders have made it clear that they intend to compensate for the slowdown in growth of real wages when mining companies are better able to withstand it.

## Conflict

Meanwhile, the main political conflict has centred on a revised Mining Act. The old Act was written around the needs of individual gold miners at the turn of the century and has proved unable to cope with the level and style of corporate field operations. But small prospectors marched on Parliament claiming that the Act sold out their interests to those of the big companies. Mr. Andrew Menzies, Minister for Mines, claimed they had been financed and incited by Mr. Lang Hancock, whose iron ore prospecting royalties bring him about A\$3m a year and who has conducted a running dispute with Sir Charles Court and his government which he considers unduly interventionist.

However, government policy has produced the highest breakthrough in years for mining companies trying to contain costs. Because Western Australia is so sparsely settled, there was no established network of ports, railroads and towns to accommodate new mining



The iron ore handling plant at the foot of Mt. Windarra.

operations as they were established in the 1960s. So as part of the deal giving them access to ore, companies agreed to build and finance their own infrastructure. And when the 1960s iron and nickel boom ended the burden of these costs became intolerable.

Sir Charles Court has been lobbying for four years for government to be given the means of returning the responsibility for infrastructure to itself without cost to itself. His answer has been a system for state governments to use their power to borrow overseas at lower interest rates and for longer terms than is possible with commercial lending. Mining companies then pay off the loans: gaining cheaper all-in costs, particularly in the critical early years, while governments gain job and revenue-generating ventures without slashing social services or printing money.

The Loan Council, the federal-state body that controls the flow of overseas borrowing, embraced the concept at its last meeting. As a result Western Australia has the right over the next eight years to borrow unilaterally, overseas if necessary, A\$16m for the Dampier-Perth natural gas pipeline, A\$111m to rationalise Pilbara power, and A\$12m on water and railways services for the Worsley alumina refinery. From now on planning engineers will be able to allow for lowered infrastructure costs, the obstacle that has ranked

alongside low metal prices, rocketing costs, strikes and conservatism to abort the mining industry's initiatives.

At mining's prospecting end, the two main targets offer a total contrast in public exposure. Diamonds and diamond-seekers have become the main topic of mining and speculative investment discussion, edging towards the status of nickel 10 years ago, when no conversation was complete without a word about the latest share prices of Poseidon and the rest. Indeed, many of the hallmarks of the Poseidon share boom are evident in the diamond scene, a fact recognised by company promoters who are getting into the act at the rate of about one a week.

## Tempo

Until the tempo of diamond prospecting picked up during 1978, uranium elements accounted for the biggest swag of Crown land pegged. In response to the intense anti-uranium feeling whipped up during the three years under federal Labour rule, uranium companies have stayed in the background. But they remain active, mainly European government-backed companies and (once again) the oil companies. The message here is that far more uranium has been found in Western Australia than has been reported, and this is almost certainly true also in the Northern Territory.

In heavy minerals sand, Western Titanium is looking at increasing upgraded ilmenite output and Allied Minerals is expanding. In gold, Western Mining and Hanna are trying for the third time to reopen the Golden Mile mines, as has happened with several smaller gold mines. Base metals prospects are looking good—Anglo's Sally Malay, Kennecott-Newmont's Gordon Downs, Selection Trust-MIM's Teutonic Bore, several lead-zinc deposits in the Kimberley where BHP is active, nickel-copper near Whim Creek in a partnership of Texasgulf and Agnew-Clough, and the Mt. Mulgine wolfram deposit of Union Carbide with Minesfields.

Griffin Coal signed a long-term A\$700m contract just before Christmas to sell steaming coal to the State Energy Commission and Western Collieries has a similar deal on the way. Malina is well advanced with plans for developing properties of diatomite (a filter) and attapulgite (an absorbent clay). Engelhard has taken over as operator from Gold Fields on the Gabbin kaolin deposit. But the Agnew-Clough vanadium mine, 50km west of Perth, is the only new mining development under way, a modest A\$6m operation currently letting contracts.

The tempo of the coming year will depend ultimately on the state of the metals markets. However, Western Australia, reacting to the sometimes haphazard mining development rush that began in the mid-1960s, has put its own house in order. The portfolio of development projects that have been working their way through the computer, without managing to get much farther, looks riper than it has for several years. The oil companies' willingness to take the risks that hard-rock miners can no longer afford is the most likely reason for the next wave of projects being taken off the back burner.

Don Lipscombe

# The North West Shelf Australia's latest business opportunity

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# Diamonds enjoy a boom

PERHAPS THE best proof that optimism has returned to the West is in the diamond search and share boom which struck the state, and the nation, last year, and is still in full swing.

It is not (as small investors will be relieved to hear), on a par with the nickel boom that while every mining boom has a basis in fact, they all need faith and hope to make glamour from the essentially mundane.

There is nothing mundane about diamonds, of course. Commercial finds are rare and (to the joy of the speculative claim pegger) almost totally unpredictable—as unpredictable as the current boom.

It has been known for years that kimberlitic formations, the host for diamonds, were found in several parts of Australia, and part of New South Wales. (The similarity of name between a part of Western Australia and the main diamond-producing centre of South Africa appears to be entirely coincidental,

though it cannot have hurt the share prices of companies with claims in the area.)

The existence of diamonds in Australia has been long proven by occasional finds of alluvial stones of gem quality. But the original source rocks of these stones has not been traced.

Companies have been prospecting for diamonds for years in Australia. Those which have been searching persistently include De Beers, through a local subsidiary named Stockdale. It has undertaken a large amount of basic exploration in several parts of Australia.

Selection Trust, the London-based miner which produces diamonds in Ghana and Sierra Leone, started looking for diamonds in Australia back in the late 1950s. It actually abandoned the diamond search in 1975, preferring to concentrate on base metals—it has substantial nickel interests in Western Australia, including 60 per cent of the Agnew nickel project. However, Selection Trust has

now returned to diamond search with a vengeance and, in terms of the Kimberley search, is probably now second only to the group which started the rush—the Ashton group, led by CRA.

The group's heavy pegging activities and subsequent announcement that it had found some diamonds produced not just a rush to peg but also a rush to buy any shares in any companies which might be sitting on mineral claims in that area.

Exploration companies which had been mostly dormant since the nickel boom rushed out to acquire claims which they hoped would catch the eye of larger companies with real money to invest in the very expensive business of intensive diamond search.

One company which had already been fortunate was Northern Mining which has a stake in the Ashton group areas. Its price zoomed from 25 cents to \$1.90.

Even more dramatic was Carr Boyd Minerals—a name out of the previous boom—which bounced from 2 cents to 44 cents. Its status was boosted by the interest of Selection Trust which has farmed into Carr Boyd areas.

Late last year also saw the float of another company to which Selection Trust has linked itself—Samantha Exploration.

But the star turn has been Ashton itself. The Ashton group, in fact, comprises several substantial companies, led by CRA with about 54 per cent. The second largest group interest is held by Malaysian Mining Corporation, the giant Malaysian Government-controlled tin group which is 28 per cent owned by Charter Consolidated (which also owns 25 per cent of Selection Trust and, like De Beers, is part of the Anglo-American Group).

MMC held a 27 per cent stake in the Ashton diamond group. Then, late last year, it sold off 35 per cent to the public (which it acquired when it took over London Tin).

The float not only gave the diamond punters a very attractive speculative counter, it forced some of the search activity out into the open as Ashton must make periodic reports to the Stock Exchange on the progress of its searches and the results of its detailed sampling.

## Formations

The CRA / Ashton success seems to have been based on improved methods for identifying promising kimberlitic formations. The group has discovered 26 kimberlitic pipes in the Kimberleys. Few kimberlitic pipes contain diamonds and fewer still diamonds in sufficient quantity or—more important—in gem quality, to make them economic. But Ashton has found some gem quality stones as well as quantities of industrial stones.

In terms of carats per thousand tons of earth treated, the yields from pilot sampling have not yet been sufficient to be commercially viable. But the group's confidence that it may be able to prove commercial worth is indicated by its decision to spend A\$6m on a treatment plant.

Meanwhile, though the herd instinct may have something to do with it, the way other big names have rushed to the scene suggests that they believe there is something to it.

Apart from Selection Trust, other companies involved include Amax, Anaconda and BHP—which has acquired large areas in river valleys downstream from the Ashton areas to look for alluvial stones.

P.B.

# Pilbara picks up

THE 1960s ended late in the Pilbara. Until the Japanese steel slump turned 10 years' explosive growth into two years of cut-backs Western Australia's iron region was like a time capsule that the national recession seemed to have passed by, allowing the euphoria of boom to persist long after it had dissipated elsewhere. The per capita level of strikes was the highest in the country; the young, isolated and intensely self-possessed population clung to its prosperity; and the aura of limitless growth filled the horizon. The Pilbara was the last place in Australia where the exponential J-curve stayed fashionable.

## Scars

The Pilbara even managed to carry the scars of boom and make them appear a badge of merit that said the good old days were here to stay. Unable to afford development of new mines in such a high-cost location, the Mt. Newman and Hamersley groups were forced to bypass high-grade ore a few miles from their established mines and instead to re-treat their stockpiled overburden so that they could exploit the towns and railroads paid for in pre-oil crisis money. Only now are the last contracts from these heavy media separation plants working their way out of the now-empty pipelines that have sustained draughtsmen, engineers and builders and

maintained the illusion of growth.

New economies are beginning that were not considered necessary when the mind-boggling contracts from Japan overran the most optimistic growth forecasts and made the Pilbara the biggest thing in world iron ore trade. Mt Newman is reducing staff, costs and communications problems by relocating management in awful Port Hedland instead of beautiful Perth. The state government is to raise \$1m to rationalise the inefficient communications system that has given the region four railroads. The federal Government is trying to bring miners under the umbrella of de facto Canberra-centred selling cartel to offset the Japanese steel industry's buying cartel. And the last ore from the first mine is soon to be pulled without much prospect of Goldsworthy being able to get contracts for its Mining Act C planned to have slotted in to keep the company together after other ore bodies were depleted.

Goldsworthy at Mt. Goldsworthy and Shay Gap (exporting through Port Hedland), Mt. Newman at Mt. Whaleback (Port Hedland), Hamersley at Mt. Tom Price and Paraburdoo (Dampier) and Robe River at Pananawonica (Cape Lambert) started the Pilbara ball rolling in spectacular style. Government development maps confidently carried a new set of names—Marandoo, Marillana, Rhodes Ridge, McCamey's

Monster, West Angelas—of sites where new mines would quickly be established. These developments started slipping back into the mid-1980s at best when the Pilbara priced itself out of the market and failed to meet new competitors like Brazil.

Not all is gloom, however. While new mines are not being put together, servicing established mines is a major industry. And inflation has hurt the Pilbara's competitors relatively more. The Pilbara's cost advantage when selling to Japan and nearby markets is maintained and Japan's loss of competitiveness is forcing the pace of the search for other markets. China's intended industrialisation promises the same scale of contracts as those from Japan that were the foundation for the early expansion.

Meanwhile the Pilbara has become a prime market for innovative ideas in mine financing, development and management. It has a good track record for production and one that is continually improving. The system of what is virtually cost-plus pricing, as well as an undertaking that the dominant Japanese market share will be maintained when the recession ends, promise a strong comeback. After the strange hiatus is passed, the Pilbara miners should emerge leaner, more efficient and considerably more profitable.

Don Lipscombe

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TWO Of the most notable landmarks in Western Australia's 150-year history last year in the petroleum industry.

The Woodside group will decide around September whether or not it can proceed with the \$300 million West Australian natural gas liquefaction project. The group's success would mark the beginning of a new era in the petroleum industry.

According to one's standpoint, the Australian west coast oil boom is either three years old or about to start. Three years ago the oil industry recognised the significance of federal policy decisions being switched from threatening to welcoming, making the risks of deepwater wildcatting worth taking. During 1977, Exmouth Plateau blocks were opened for bids and allocated. Last year the first tangible boom symptoms appeared — severe seismic surveying bottlenecks and an inflow of service industry people to Perth, making it Australia's oil industry capital.

This year comes the first big wave of drilling. And perhaps for the first time the man in the street will start to realise there's an oil boom come to town.

## Recognition

At the same time, Mr. W. A. Average is starting to recognise the radical restructuring that has taken place. To him, the state's oil industry means Wapet and, more recently, Woodside. Wapet made the first strike in 1952, had the 7,700-mile coastline and 1m square mile state pretty much to itself until Woodside came along under Burmah's umbrella in 1967, and has the only two commercially producing fields, oil from Barrow Island on the North West Shelf and gas from Donagora 200 miles north of Perth. Wapet partners are Australia's Ampol Exploration, Shell, Standard of California and Texaco.

All except Esso (one previous well) are yet to have drilled off the west coast. The list is dominated by the four Exmouth Plateau operators, Esso, Woodside, Phillips and Hudbay, which between them have undertaken to drill 94 wells costing \$213m over the next five years — nearly half the offshore total.

Exmouth Plateau, regarded among the most promising but demanding oil prospects in the world, is expected to set world deep-drilling records this year. Esso with BHP have the two plum blocks of the five (each "block" is about half as big again as Wales) and two-thirds of the total commitment. Mr. Ken Richards, Esso Australia's director and exploration manager, believes Western Australia holds the long-term future of Australia's oil potential, although he heads work in Bass Strait which produces nearly two-thirds of the nation's oil requirements.

Exmouth Plateau's huge structures and thick sediments hold out the promise of fields in the Brent league. But only oil drilling will tell and, even then, technology to get the oil out from such water depths is yet to have been developed.

Geologists believe Exmouth Plateau separated from continental Australia during the process of the super-continent of "Gondwanaland" breaking up — continental drift theory. So, the same biological and geological forces have been at work on it as on the heavily faulted North West Shelf nearby, where 18 trillion cubic feet of natural gas has already been indicated.

But the Plateau structures are much bigger, and seismology suggests sediments up to 15,000 ft thick. Explorers would have to walk away from a middle-sized oilfield or a huge gasfield. A big oilfield out there, would cost \$300 to develop.

While Exmouth Plateau commands most of the cash and glamour, and with none of the disappointments so far, conventional exploration has recovered sharply from the dark days of the federal Labour regime when Australian oil prices one-fifth of world levels plus the fear of nationalisation created an exodus of capital and skills that Australia is still paying for.

Recovery traces back directly to federal policy. Urged by Sir Charles Court and the oil industry lobby, Mr. Malcolm Fraser's government accepted the view that a crippling oil import bill was ahead unless explorers were promised world prices, and the taxation and incentives stripped under Labour were restored. With the carrot of a revived

North West Shelf project before it, Canberra started by bolstering offshore oil concessions. As a result, well commitments off the west coast rose from two in fiscal 1977 to 12 the following year and 18 this fiscal year. The upswing has continued.

In 1977, 40 companies started looking offshore on 14 new blocks thrown open; last year there were 22 blocks and a total of 37 companies, 22 of them newcomers.

Survivors of the Poseidon nickel boom that was at a frenzy exactly 10 years ago have moved in to take advantage of the entrepreneurial potential as well as the tax benefits to their shareholders that they lost under Labour in the mineral prospecting business. (Exploration expenditure was a tax deduction until scandals and socialism stamped it out.) Only in offshore oil exploration is there a tax incentive for speculation, although lobbying has stepped up for onshore oil explorers to get the same favoured treatment.

This has encouraged 20 Australian listed resources companies to become involved offshore so far: Woodside, BHP,

AIMM, Australian Oil and Gas (the four Australian partners on the Exmouth Plateau), AAR, Alkane, Ampol Exploration, Bridge, Caltex Pacific, Endeavour, Geomats, Naoma, Lennard, Magmet, Offshore, Otter, Sparagos, Target, Timor and Western Mining.

Applications in hand would add Carr Boyd, Comex, Hill and Western Queen to this list. In their traditional new year messages, many stockbrokers have been plumping for oil stocks in 1978.

## Contrast

The oil board flagbearer, Woodside, has had a disappointing year for exploration, in contrast with a remarkable early success ratio of 45 per cent on the Dampier sub-basin where its gasfields are currently being tested. With Burmah's selling-out to Shell and BHP, the emphasis began to change from exploration to development drilling.

Then there are the stresses of management structure made up of an awkward hierarchy alternating Shell and BHP personnel, working in the goldfish-bowl environment of a

planning office, in a city hungry for work, for the state's biggest ever job, the LNG project.

Onshore, exploration has been slow. However, several companies, including Amstar and Esso are assessing seismic from surveys in the Kimberley region in the far north where diamond prospectors have been dotting the bush.

Oil men are following up Devonian limestone reefs of the kind that have proved prolific oil producers in Canada. Indeed, Canada North West Land proposes to drill the reef structures offshore in one of its blocks.

During the past few months, a series of oil and gas strikes have been reported from that amorphous area beyond the Nullarbor Plains that Western Australians lump together as "the eastern states".

These discoveries can be rationalised by the fact that the same political and economic forces at work in the West, where effort focusses offshore, move through the system more quickly onshore or in less daunting locations such as Bass Strait. The longer lead-times and longer wait will be compensated by discoveries which, like everything Western Australian, will be bigger.

Thus, eastern states' oil strikes are merely unexpectedly exciting minor tournaments; clearly, the west coast is the centre court.

By the same token, Perth businessmen find delays hard to take and would choke on the rare diet of unmitigated disappointment.

After such a long build-up of politically motivated enthusiasm, thumbs-down on LNG and a series of duds on the Exmouth Plateau would shatter confidence. Hence, an ambivalence within the business community, caught between expectation of a boom and fear of a slump.

Preaching the gear-up-or-miss philosophy, Sir Charles Court sums it up when he warns: "When the whistle blows, the game will be fast and furious."

But like oil geologists, people with their money on it have learned to hope for the best, but allow for the worst — and Western Australia's petroleum industry will be monitored with intense interest over the next few months to see which it will be.

D.L.

## UNIONISTS FLEX THEIR MUSCLES OVER DRILLING RIGS

BY ABOUT new, the Sedco 472 should have been positioning herself dynamically to start Australia's most dramatic petroleum exploration programme.

She is not. For instead of heading for Australia's north west coast, Sedco 472 went instead to the Gulf of Mexico, frightened off by the demands of Australia's militant maritime unionists who want the right to man these sophisticated semi-submersible drilling rigs; they settle themselves on site by multiple propellers rather than the conventional anchors that would be impracticable in such deep water.

This scope for industrial trouble is the least publicised aspect of the incipient oil boom, but one most discussed by oil men from behind their hands. Before the Japanese steel recession, the Pilbara Iron industry was the source of capitalists' best anecdotes about what varmint the unionists had become — gargantuan tankers piling-up offshore, at hideous expense, because of a strike that began when there were no tooth-

picks with the morning-tea, and things like that.

The whole of Western Australia's resource-based system rests in the shadow of specific threats that things will be made harder for the employer the more the economic tempo recovers. This has been largely academic except in the kind of industrial hot-house oil can generate.

So, the petroleum industry, with its esoteric issues, penchant for secrecy, and costs that provide tremendous leverage, has given unionists a rare environment for flexing their muscles.

Indeed, with petroleum it was even necessary for recovery to have begun. The longest luncheon of the stump (at a time when the number of rigs working the entire Australia coast had fallen to one) was the owner of a vessel that finally had work after months of idleness that had nearly crippled his company. After running through a litany of nightmarish frustrations, he explained that she was allowed to sail only after the skipper had given up his quarters to

a crew member... symbolic of where the real power rests. In rub salt into his wounds, the owner had been gagged by the oil company operator that patiently and silently awaited the outcome of the little game; both operator and contractor feared subsequent delays if the unionists were exposed.

Which leads back to Sedco 472. Esso is not committed to start drilling until late in the March quarter and has never formally announced that the rig would be on site in early January. This leaked out when contractors were let for services — and even then companies were inhibited about discussing publicly what they spoke of privately with great pride.

Because the early start wasn't announced it hasn't proved prudent to comment on the forced delay, even under persistent questioning. So, despite the grazed skin on the school bully's knuckles, the oil industry's bloodied eye was caused by an accidental fall.

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THE HOPE has been frustrated for so long that one now dare voice it too loudly — even in ever-optimistic Western Australia. But there is every likelihood that this, the state's 150th year, will see a start on its biggest ever project — development of the gas reserves of the North West Shelf, 130 kilometres off the coast from Dampier.

By about September, the North West Shelf Joint Venture, the incorporated consortium which links the partners in the development, should have done all the necessary detailed studies, and hold letters of intent from liquefied natural gas (LNG) buyers, for the green light to be given. Between then and about the end of 1984, A\$2.5bn-A\$3bn (£1.4bn-£1.7bn) will be spent on production platforms offshore and onshore pipelines, treatment plants and — the biggest single item — ships to transport the gas to the markets. In addition, the Western Australia State Energy Commission, a government body, will spend upwards of A\$400m on a pipeline to feed North West Shelf gas into the Perth area 1,800 kilometres away.

Oil and gas discoveries usually take longer to delineate and develop than most people, and even the companies involved, expect. But the North West Shelf and Western Australia have been particularly unfortunate. The first major North West Shelf gas discovery was back in 1971. Further finds were soon made and Woodside-Burmah Oil NL, which had a 50 per cent interest in the venture, became one of Australia's most highly-capitalised and most traded public companies. By the end of 1973 it was apparent that there was sufficient gas to supply Western Australia and support on LNG export operation of economic size.

But instead of speeding up the project, the great oil and gas price rises of 1973-74 indirectly smagged the development. It became the subject of contention with the federal government in Canberra, and was for a while submerged by the high tide of mineral nationalism. It was strongly argued that the gas should be kept for use in energy-short Australia. Canberra talked of grandiose but totally uneconomic schemes for a national pipeline grid. At the same time the federal and state governments became locked in constitutional battle over which one of them controlled offshore mineral rights. As a result development work on the shelf came almost to a halt.

The federal government eventually won its constitutional case but then a Liberal Government was back in power in Canberra and anxious both to reach a working compromise over the control issue and for the scheme to go ahead. By this time, too, fancy pipeline dreams were fading and Labour opposition to gas development and export was fading in the face of anxieties in Western Australia about falling investment and rising unemployment, and realisation at the national level that the balance of payments was badly in need of help from energy development.

Serious activity got under way again in 1976 with triangular discussions involving the consortium and the state and federal governments. Government accepted the need for LNG exports to provide the necessary base load to make the project viable. Without that, the Western Australia market could not be supplied in the foreseeable future. By August 1977, a package of conditions for development had been hammered out, and the consortium proceeded with a A\$50m detailed project definition which is now nearing completion.

## Ownership

During the hiatus a major change took place in the project's ownership. Burmah Oil, which was facing a financial crisis, sold its stake in Woodside-Burmah to BHP. Ownership of the venture now is complex but it boils down to Shell, BHP (which together have 43 per cent), the Australian public (through quoted Woodside Petroleum Limited, the two other interests, each with 16 per cent, are California Asiatic and BP.

Optimism about the project has been gathering momentum since agreement was reached with the state and federal governments and the consortium embarked on its A\$50m detailed study. But the decision to go ahead seems to have been clinched by recent events in Iran. LNG is not an especially popular fuel among energy users because of the huge capital costs of liquefaction plants and ships, and the lack of flexibility in volume or source of supply. But Japan needs non-polluting fuels and the U.S. needs gas to feed into its huge gas grid. Japanese energy users are believed to have been thinking of the North West Shelf supplies as being available from about 1983. But it was seen as a

probable rather than a definite source. The gas was seen as bargaining leverage in Western Australia was not the only possible source for a major supply contract, but the options for the Japanese now are looking singularly unattractive. They are worried whether they will see the 2.6m tons a year of which they are supposed to receive from Iran starting in late 1982.

At best, plant construction in Iran will have been delayed by the riots and strikes. Iran has also reminded all buyers of LNG, and the banks and companies which finance LNG projects, that political stability should be regarded as a critical factor in making long-term financial and purchase commitments. Australia may be strike-prone, but it is not revolution-prone. From the Japanese viewpoint it is probably easily the most stable new source of LNG. It has not passed without notice, either that Australia is not a member of OPEC and as a net oil importer is not interested in pushing up energy prices.

Australia's political attributes should make it easier to get approval from U.S. regulatory authorities to sell gas into the U.S. market. However, the complexity of the regulations and the long delays in getting approvals have strengthened the hand of the Japanese in bargaining with the North West Shelf consortium. The U.S. utilities would like to buy and they are ideal customers in that one or two utilities could take the whole North West Shelf production. Japanese buyers — who mostly use gas to generate electricity — are more fragmented, which makes for complex negotiations. But the North West Shelf consortium cannot go head with its project on the basis of contracts from U.S. utilities if these are subject to being overruled by the U.S. regulatory authorities.

It is believed possible that some way may be found to speed up approvals or set prior conditions. But for now it seems most likely that Japan will take all the 6.5m tons a year of LNG from the shelf. That figure is regarded, in conjunction with the sales within Western Australia, as the minimum necessary to go ahead. It entails the building of two production platforms and the export volume represents the amount — 53 per cent — of known recoverable reserves — permitted by the Government to be exported. If more gas is discovered, it is possible that it may either be exported or supplied to Western Australia

at a cheap price. First, one producer would like to sell to cheap gas for sintering and perhaps direct reduction steel-making. They have not been in a position before to bargain for cheap supplies because none of them was able to buy sufficient to make the gas project viable without exports. But it is possible that they may have better luck with any incremental discoveries. If further finds are made and industry can come up with viable proposals, the consortium might find itself under strong pressure to sell the gas cheaply.

It is not known what price the State Energy Commission will pay for its supplies. Piping the gas to Perth will be expensive so it is likely to be only a little cheaper than alternative fuels. But if gas in quantity were in demand in the Pilbara a producer should be able to sell it locally for not very much more than half the landed price in Japan.

## Availability

It is expected that gas available in Perth will be only slightly cheaper than alternative fuels. But availability of supply should be a boost to industry — shortage of gas from the dwindling Donagora field has limited its supply to Perth's industrial users and they have been forced to use costly electricity or oil.

By contracting to buy roughly one-third of North West Shelf output, the State Energy Commission has made an act of faith in the growth of gas-fired industry. It is banking on demand in the Perth region rapidly building up to 300m cubic metres a day, compared with only 80m at present. One sure buyer is a new Alcoa alumina plant at Wagerup, but if demand does not materialise the commission has a safety valve in that it could convert a power station from oil to gas firing. However, the commission's commitment to gas is indicative of the significance that is attached to inflow from the North West Shelf. Meanwhile, millions of dollars are going to be spent locally on the project's construction. The ships and the liquefaction plant will all be imported; so, probably, will the production platforms and pipe. But even if only a relatively small part of that A\$2,000m is spent in Western Australia on construction, rig servicing, supplies and ancillaries, it will go a long way in a state of only 1.2m people.

P.B.

# Recovery in farming

A GOOD season and a firm outlook for most Western Australian farm produce has brought a resurgence of confidence in the state's farming industry that, in many ways, is reminiscent of the land boom days of the 1980s.

Both 1976 and 1977 were years of drought or, at best, below-average rainfall over most of Western Australia's farmlands.

Across the board productivity was slashed, stock numbers depleted—with the sheep flock down 5m to less than 30m and cattle numbers dropping 400,000—and overall rural income was reduced by at least \$400m.

But farmers' problems have not been confined to poor seasonal conditions.

They have seen their political bastion, the Country Party, somersaulted by division and its already declining influence dealt a further severe blow.

A cyclone, named Alby, defied the normal habit and swept out of the northern tropics to inflict widespread damage and soil erosion over much of the state's southern farming belt.

When industrial strife threatened to halt the lucrative export trade in live sheep to the Middle East, farmers in a dramatic show of strength took sheep in defiance of the unions. Farmers have also seen a major outlet for their lamb wrecked, at least temporarily, by the strife in Iran.

But these problems have been totally overshadowed in the second half of 1978 by a return to a good season in most farming

districts of Western Australia.

Quite suddenly the depression and stagnation evident in many areas has been lifted and the farmers are looking to the immediate future in expectation of considerably improved returns.

For most farmers of Western Australia it has been a happy Christmas period as they harvest what is expected to be the best wheat crop in the state's history and see in the media a series of bullish predictions about the outlook for other major products like wool and beef.

The present wheat harvest will immediately inject about \$315m into the rural economy with a first advance payment of \$75 a tonne on a total yield estimated at 4.2m tonnes.

The wheat harvest is a most important if volatile income factor in the West Australian economy.

In the past five years the gross value of the crop has fluctuated violently—from \$109m in 1972-73 to \$464m the next year. Then it went back down to \$361m, up to \$427m in 1975-76, up to move way down again to \$290m in 1976-77. Fluctuating prices have been one cause of this movement, but seasonal variation has been the dominating factor.

Such seasonal variation is not in keeping with the long-term

trend in Western Australia, normally an area of consistent and reliable winter rainfall.

Despite the massive mineral developments of the 1960s and 1970s, there is a strong argument that says that rural industry remains Western Australia's most important income-earner in terms of general community benefit.

In gross value terms there is little between agriculture and mining, both earning the state around \$1,100m annually, but as opposed to mining the state's agriculture is very largely in the hands of Western Australians and its earnings flow directly back into the local community.

The imminent boost in rural income will therefore be felt right through the Western Australian economy and, more particularly, in industries servicing agriculture. This applies especially to such sectors as farm machinery manufacturers who will receive a much-needed fillip as farmers take on capital expenditures deferred in previous years.

The more confident outlook of Western Australian farmers is in no way better exemplified than by the renewed clamour for farmland.

While the farmland price movements in some areas are

reminiscent of the halcyon days of the 1960s, there is a lot that is different about the situation today.

The demand is not being influenced to any major degree by overseas, interstate or city-based investors. It is the existing full-time farmer who is at the forefront of the buying demand.

The land most keenly sought is not the undeveloped, light sandy areas which were the focal point of the massive developments of the 1960s, but the good, long-developed country in safe grain and grain-stock areas.

The best of this type of land is now bringing up around \$500 a hectare, probably twice the price of five years ago.

The demand for land is such that pressure is mounting for release of new areas of crown land on the fringes of the wheat-belt, land that has attracted very little interest since the late 1960s when Western Australia's great land boom ended.

But the present movement does not signal a return to the massive new land releases of the 1960s.

Western Australia still has millions of acres of land capable of development. However, the economic factors

involved in bringing such land into productivity are such that it is no longer feasible to settle new farmers in these areas.

It is far more likely that if new areas are to be developed it will be by established farmers seeking to expand their holdings.

## Advantages

With the renewed demand for developed farmland is coming a heightening of the trend towards bigger holdings, because of the demonstrable economic advantages of the more substantial properties.

Typically what is happening in many areas is that a medium size property tending towards a sub-economic size is sold in parts to several neighbours, thus increasing the size of these properties to more economic levels.

An economic survey by the Department of Agriculture on farms in the state's eastern wheatbelt has indicated the advantages of bigger properties, not only in terms of gross return but also in returns per hectare.

The hypothetical, "typical" property in the survey, with 2,000 hectares of cleared land, cropping 950 hectares a year

and running 2.5 dry sheep equivalents per hectare on the pasture area had a gross income of \$42.96 per hectare, a total cost of \$33.62 and a net income of \$9.34 a hectare. In this category, real farms (one with 1,600 hectares cleared, another with 1,850 hectares cleared) showed incomes of \$8.63 and \$7.95 per hectare respectively.

In the same survey however, one farm with 5,880 hectares cleared, another with 5,620 hectares cleared had net incomes \$14.49 and \$13.24 per hectare, respectively.

This survey also once again pointed up the somewhat meagre return to capital on a typical wheat sheep farm in the state's eastern wheatbelt. The value of farm assets was \$430,000, the return to capital, before tax \$18,670, the percentage return to capital 4.3 per cent, a figure somewhat incongruous against today's high demand situation for this same farmland. However, overriding this low return to capital is a long history of strong capital gain on Western Australia's farmlands.

The more confident attitude of Western Australian farmers today is not simply a result of the joy of a good season and heavy-headed wheat crops.

The state's cattle industry, in the doldrums for some years, is enjoying improving returns. Prices for some types of beef have doubled in the past 12 months and the firming trend is predicted to continue in 1979, under the impact of rapidly improving export conditions. Australia already has a record beef export quota to America of 366,000 tonnes for 1979 and the quota could go even higher.

It would be no surprise to see beef prices firm another 30 to 50 per cent this year.

The sheep industry is stable and profitable, with wool prices maintaining good levels and strong demand for Merino type lambs for meat, and for shipping wethers.

## Tariff

The solid situation of the wool industry is reflected in the Stud Merino industry, with breeders meeting a strong demand for rams and ewes.

The Australian Bureau of Agricultural Economics has predicted a 10 per cent average increase in wool prices over the next 12 months. This was before the good news that the U.S. import tariff on Australian wool would be cut 60 per cent.

Returns to the state's coarper grains producers are being affected by a general world oversupply situation, but prices in the coming year should at least be on a par with the last 12 months.

Prospects are even looking brighter for the Ord River irrigation scheme in the far north. A white elephant of enormous proportion and horrendous cost.

Inconspicuously, the latest hope of the scheme is rice, one of the first crops grown on the Ord some 16 years ago and rejected not long after as "an economic failure."

But with new varieties and good recent yields, hopes are high for large scale commercial plantings from now on. How ever this will depend largely on development of outlets other than the limited local market.

Since rice was first rejected as a commercial proposition, host of different crops have been held up as the economic salvation of the scheme, but only after the other they have failed by the wayside either because of pests, market throatcut by simply because of the force working against the production of agricultural products in a high cost, underserved environment remote from the market place.

Today, however, prospects for crops, like rice, sugar, sunflower seeds and peanuts are hopeful, though a lot more than prospects is needed before the widely held scepticism about the scheme will be to disappear.

C. W. Quirk

# Alumina processing

ALUMINA IS playing a big part in Western Australia's scenario for recovery. South of Perth, two new refineries are on the way; in the far north another is planned as part of an ambitious bauxite-based development. These will involve \$1bn in mid-term investment, at least as much again longer term. But the price is a trade-off at several levels, and on the political plane, gathering clouds challenge the whole concept of growth that has made Western Australia a force in the world's resources industry over the past 20 years.

Alcoa of Australia operates two alumina refineries and has started work on a third, at Wagerup; all three locations are within 140 km of Perth in the more heavily populated southwest. A further 60 km south, at Worsley, just out of the coal-mining town of Collie, the Alwest group led by Reynolds Metals is proposing a plant to produce initially an annual 1m tonnes of alumina, five times Worsley's start-up output.

The other project centres on Mitchell Plateau, on the Kimberley coast, where Alunax holds title to bauxite reserves ultimately depicted as the basis for a total resources development. This would involve a bauxite mine, alumina refinery and perhaps aluminium smelter, fuelled by indigenous petroleum or even tidal power. But because the population of this Tasmania-sized block of country is only about 16,000, many of them Aborigines, a new infrastructure would have to be created, its costs shared with ventures to produce and process forestry, fisheries and farming products.

At least that is how Mr. Ian MacGregor regarded the scheme as chairman and chief executive of Alunax partner Amax—virtually the genesis of a whole new region. Since then mining has lost its euphoria and alumina its impressive growth rate. The billion-dollar Mitchell Plateau dream is being kept alive by the mundane expedient of trying to get the cash flowing by selling high-grade bauxite for refractory bricks—and even this is proving harder than expected.

Less dramatically, the alumina projects south of Perth have been suffering their own frustrations. Worsley has been edging forward since 1962. In 1969 BHP and Mr. Rupert Murdoch's News formed Alwest and introduced Reynolds. There was an attempt two years ago to push Alcoa and Reynolds together to satisfy their demand for alumina using Alcoa's bauxite reserves. Anaconda has been in and out of the Alwest equity negotiations. And partners at this stage are Reynolds, Bilton, and Kobe Steel, with BHP expected to take up the required Australian equity, although this implies a commitment to the production of aluminium metal; the return on alumina is considered too low to justify investment, and profitability improves sharply in an integrated ore-to-metal network.

Alcoa produces about one-eighth of the world's alumina, an annual 3.4m tonnes, from its Kwinana and Pinjarra plants. Western Australian operations began after Western Mining introduced the low-grade Darling Range bauxite deposits to the Aluminium Company of America in 1961, retaining 49 per cent for itself and its Collins House stakeholders, BHP South and North BH.

And this was the classical deal that has characterised the state throughout its 150-year history—access to resources in consideration for the capital and, often more important, the technology to develop them. It is one of four areas of trade-off that have come under such increasingly searching scrutiny that the political aspects of this industry have become the weakest link in the bauxite-alumina-aluminium chain. The others are environmental compromise in consideration for jobs; below-market royalties for growth; and consequently a leaning towards the "north" in the so-called "north-south dialogue."

## Intervention

While trying to buttress prices by federal intervention in the iron and coal market place, in alumina Australia has recently opted for going it alone and undercutting International Bauxite Association prices, thus placing itself in the camp of the multinationals rather than of the resource producing nations. Similarly, Western Australia can hold its place as perhaps the best place in the world to invest in new alumina capacity only by the world's lowest royalties offsetting a cost structure which is among the world's highest.

As the article on petroleum in this survey explains, environmentalists have found bauxite mining to be a vulnerable spot in the growth-oriented economy.

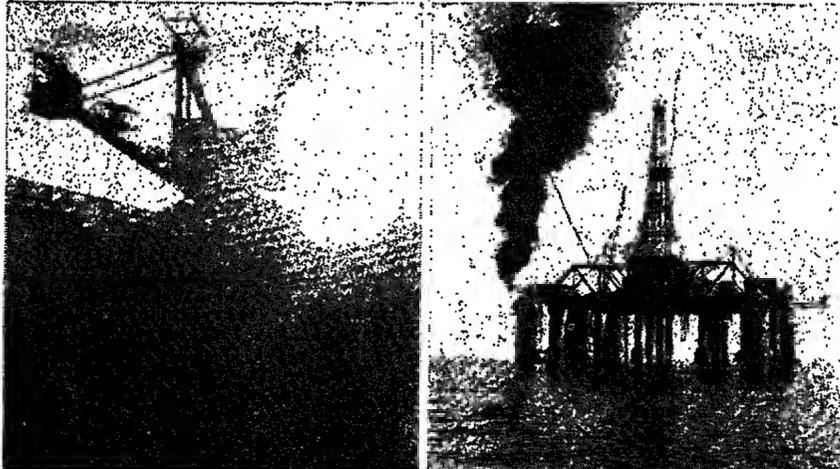
"Stop Bauxite Mining" car stickers rival similar anti-uranium ones. At the legislative level the campaign has failed, and most Labor opposition parliamentarians recognise that when job opportunities and ideology conflict in times of such high unemployment, ideology loses votes. But with schools for passive resistance being run and publicised, and the fruits of the last growth phase proving bitter, particularly to the young unemployed, the protest is far from over.

Perth's mild summer has removed the immediate fear of water shortages which have been exploited by claims that bauxite mining makes drinking water salty. The fungus "die-back" was killing off forests long before mining accelerated its effect; the esoteric jargon of such "scientific" conflict has become adopted by people who wouldn't know a jarrah tree from an elm. But Alcoa is taking it seriously enough to have initiated a hearts-and-minds campaign, shedding corporate reticence to take busloads of 1,000 people a week through the pleasant greenfield site at Pinjarra and around nurseries and new bushland on mined-out areas.

Alcoa's Wagerup has cleared all other political hurdles and is committed to starting production within three years. Mainly to keep its options open in case of a slump in the aluminium market, the main jobs are filled as late as possible. Although Alwest has yet to finalise Worsley's environmental and equity packages, the Government has been assured that building will start late this year to honour the commitment to start production in 1982. This being so, the spinoff will be an important and timely boost to Perth's engineering and construction sectors. But the alumina saga has included too many frustrating chapters for the planners to base firm decisions on any quick and trouble-free conclusion.

D.L.

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DEPARTMENT OF INDUSTRIAL DEVELOPMENT WESTERN AUSTRALIA





THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Shell: out to crack the consumer market

BY JASON CRISP

WHENEVER an oil company displays an inclination to diversify from its mainstream business it is likely to attract considerable attention. Can anyone forget that one day these twentieth century megaliths will run out of their staple raw material?

Shell's cautious step into consumer products has been a discreet move. Temana, the wholly owned subsidiary concentrating on consumer products, has the not inconsequential worldwide turnover of around £100m. Of course, by Shell's standards (turnover £28.5bn) it is a material part of the business, according to the hopes of Temana's managing director, Jan Slechte.

Temana's conception dates back to 1972 when an internal Shell study team was looking at consumer products. The actual decision to set up a self-contained subsidiary consumer product company was taken in October 1973 and Temana was born early in the following year.

It is hard to think of a worse time to try and assault the consumer market, when the oil crisis was at its height. Consumer spending was of course sharply down but in addition the whole strategy for breaking into established markets needed to be rethought.

Temana had to tear up the plans by which it had come into existence and start again. Before 1973 it was possible to introduce a new product into an established market; even if there were already a number of competitors, it would still find shelf space in the supermarkets.

After the oil crisis, supermarkets tended to throw out

brands in order to expand product ranges and use shelf space more efficiently. When Temana started the only way to get into a market was to have a product which was perceived to have an advantage over the competition," notes Jan Slechte.

In spite of the inopportune timing of its launch, Temana did not have a completely cold start. Apart from enjoying the obvious benefits of financial backing from the parent company and its extensive research facilities it inherited two existing products already being produced by Shell.

One was the Vapona range of domestic insecticides, based round a flykiller strip which lasted several months. Vapona was a spin off idea from Shell's knowledge of "slow release" technology; after failing to interest any of the companies in the domestic insecticide market, Shell launched the product itself.

The other main product Temana inherited was the Teepol range of detergents which are sold to restaurant chains, canteens and other "institutional" caterers. Although the company was given a flying start Slechte boasts that it has trebled its turnover between 1974 and 1978.

Temana started with an enormous degree of ignorance compared with the opposition, says Slechte, who did not join

the subsidiary himself until 1976. Nonetheless, he feels it had three advantages over its competitors. First, it was small and flexible, second, it had the backup facilities and resources of a very large company when it came to developing new products. And the third advantage was the quality of its staff, he says.

Although Temana has a high level of autonomy it is dependent on many of Shell's considerable resources, it uses Shell's research facilities, and also its legal, insurance and tax services. The transactions are conducted, however, on "an arms' length basis."

Since it was set up Temana's growth has exceeded 25 per cent per annum, according to Slechte, a rate which he hopes to sustain for anything between another three and five years. Growth, at the moment, is self-financed and the financial parameters set by Shell are not a constraint. Indeed, Slechte says that the parent company is far more interested in seeing it develop as quickly and as sensibly as it can rather than its profitability. He therefore has no hard and fast figure for return on capital with which he has to adhere.

Temana's autonomy is such that the Board, made up of a committee of senior Shell executives, meets only three times a year. At these meetings per-



Jan Slechte: Temana's managing director

formance is appraised, budgets set and a general planning review made.

Temana recruited from outside Shell and sought mainly marketing personnel—the skill not available in the parent company. What surprised Slechte was the ability of Temana to attract "better than average" staff in spite of its inherent disadvantages—the company was an unknown quantity and as a newcomer to the market it made the job notably less secure than with an established competitor.

The attractions are twofold. First, the challenge is much

greater as new ground has to be broken and, second, achievements are more obvious, and as it is a fast expanding company, new opportunities arise quicker.

The company's strategy has not been to tackle the established giants like Unilever and Proctor and Gamble head on. Although one of the premises which has survived from the original study group's thinking is that to make profits you must plan one day to hold a dominant market position. Ideally you create your own market.

Temana has therefore opted for specialised products where there is a relatively low turn-

over but a high added value. Household insecticide, Vapona, is a typical example—it is probably only bought for a home at most three or four times a year. Shell's entry into consumer products then, is as a small, growing company winking its way into specialised markets rather than as an oil giant tackling the consumer companies head on.

Temana's successful new-product complies with this theory. Airbal, a slow release air freshener—nobody could accuse Shell of going for glamour products—was an innovation in the air-freshener market, and uses the same technology as Vapona. Rivaling the air-freshener sprays, which can be rather overpowering, according to Slechte, the slow release Airbal was able to carve its own new niche in the market.

There is, as Slechte points out, a great difference in the attitudes towards marketing between Shell and its new offspring. The parent company will examine its inventions and look at "how we can use them," the problem is tackled in the completely opposite direction at Temana. "In consumer products you look at needs first. Three-quarters of new consumer products are created because the consumer needs them and only one-quarter are new inventions," says Slechte. Once

Temana has identified a need, it can turn to Shell's research to see if the product is practical.

Although Airbal was a successful product launch, Temana has had its share of disasters. One was a hard surface cleaner with a spray gun which Slechte says was not properly exploited because the company lacked the necessary marketing skills. Another over-ambitious project was an attempt to market a comprehensive pet-care range in 1975. Here the problem was a lack of resources to service the range, which was being sold on allocated racks in supermarkets and needed daily attention.

The lesson learnt, according to Slechte, was not to bite off more than it could chew at the various stages of development.

There have been two significant but small acquisitions in Temana's brief history. The first was Bees, which is in garden seeds, in 1974. The two attractions for Temana were that it added new products to its range and also provided an immediate entry into the garden care market since it came complete with its own distribution and administration. Temana had already identified gardening as a growth area.

The other purchase was a distribution outfit, Harvey, Waddington, which mainly takes

Temana products to institutional caterers.

Temana does not have its own production capacity, although this is unlikely to remain so for ever. At present overcapacity in the industry makes it economic to contract out manufacture to either Shell subsidiaries or to third parties. Slechte believes it won't be a very big jump into production as the processes are fairly simple—mixing, filling and injection moulding.

This year Temana plans to test market three new consumer products and one for its catering side. Slechte says that only one in three test marketing attempts, throughout the industry, ever succeed. The hope is, therefore, that at the end of the year Temana will have one new consumer product.

Temana's relevance to Shell has to be seen in the fairly long term. The skills it is gaining in consumer marketing may soon be applied to the selling of non-automotive products in filling stations.

Slechte views the company's development in stages. The first five years have been spent learning the business. "We can say, yes, we have done this reasonably well although the infrastructure is still vulnerable." The second stage, which will last between five and ten years, will be developing the capabilities and skills of the company.

The final stage is its growth into a significant part of Shell. "I think Temana will become material, accounting for 10 per cent of the business, in about 25 years," says Slechte.

Diary of forthcoming business courses

The Effective Executive Director, Surrey, March 12-16. Details from Eurotech Management Development Service, PO Box 28, Camberley, Surrey, GU16 5HR.

Matrix Management, Brunel University, February 20-23. Fee: £175. Details from The Secretary, Management Programme, Brunel University, Uxbridge, Middlesex, UB8 3PH.

Senior Executives' Finance Course, Ilkley, West Yorkshire, March 5-9. Fee: £245. Details from Programme Director,

University of Bradford Management Centre, Heaton Mount, Keighley Road, Bradford, West Yorkshire, BD9 4JU.

The Skills of Purchasing, Bristol, March 12-16. Fee: £220. Details from Purchasing Economics, Pel House, 35 Station Square, Petts Wood, Kent BR5 1LZ.

Third International Captive Insurance Company Conference, Hamilton, Bermuda, March 20-22. Details from Risk Research Group, Bridge House, 181 Queen Victoria Street, London EC4V 4DD.

French steel shake-up

THE FRENCH special steels industry will soon receive the same purgative treatment as the general steel producers, according to the Manufacturers' Association, writes Terry Dods-worth.

The association's statement suggests that plans are well advanced for reorganising the special steels industry, after the restructuring of the general steels sector.

It is generally assumed in the industry that special steel-making facilities will be regrouped. The main special steels producers are Creusot-Loire and Ugine Acier.

EXECUTIVE HEALTH

The hazardous games that people play

BY DR. DAVID CARRICK

THE "Health and Safety at Work Act 1974" is a valuable measure for the protection of the individual from numerous hazards and even if it has created a deal more work for the innocent, plus an inevitable rise in the army of bureaucrats, nobody should carp at its ideals.

Personal observation over a number of years, however, strongly suggests that something similar should be introduced for "Health and Safety at Leisure," because the number and variety of injuries which occur away from work seems to me to exceed greatly the traumas incurred while toiling.

Sea urchins

Over the last few years I have noted some quaint and even bizarre accidents which fall into such a category. A few I have recorded are: "rat-bites (3); mouse-bites (2); dog-bites (7); cat-bites (2); and bites from human, hamster and horse (one from each creature). Injuries associated with horse-riding (18); severe bruising due to blow from vexed swan (1); second degree burns from wood-worm, killer (1); foreign-bodies in every conceivable part of the body, varying from splinters to lead-shot (innumerable and usually associated with DIY jobs); stings from various insects, sea urchins and jelly-fish (also innumerable)."

Of the more bizarre happenings, I must include the man who was "kicked in bottom by a friend"; a girl who dislocated her thumb "striking a boyfriend" (they are now happily married); a bright but pushy executive "duffed up by angry cabbie"; a high-powered promotion expert who, while angling, "caught fish-hook in ear"; an accountant who "broke a leg playing golf" (because, having lost he threw his clubs away then tried to retrieve some from oak-tree and failed to notice



failed to notice rotten branch; a composer who fractured a leg tripping over his greyhounds; and, perhaps my favourite, an ebullient advertising man who, while "chasing somebody's dog in a

puh collided with a half-headed man who was similarly engaged, and suffered concussion and a semi-lunar laceration." Odd, but much easier to treat than the broker who, for some extraordinary reason, got a porcine "executive toy" lodged deeply up his nose.

Swollen ear

Less quaint are the many who manage to find sufficient sun to get blistered; and those who suffer from skin allergies from fooling about in the long grass. And I must not omit those who damage themselves in the pursuit of beauty. Infected earlobes following piercing, seem to be on the increase. Recently I revealed a lack of knowledge about modern customs to a young woman who brought a much swollen ear to me. One gold sleeper was visible, but a little way below was another hole, very infected. I asked her whether the shop had made a

mistake and punctured twice by accident, as the other lobe was innocent of bore-holes. I was told most scathingly that this was the latest fashion, Funn-fashion, particularly since I had to send the girl to hospital where they had to use X-ray to locate the missing sleeper.

Injuries from car accidents, varying from serious to small but painful such as "husband slammed door on wife's fingers" are common. Bowling injuries are rare but newer crazes hurt their toll. One entry is worth mentioning: "Six teeth kicked out in Kung Fu." The sufferer was a young banker—and it was the instructor!

Sport of many kinds brings a variety of injuries to executives and those working for them; in me it brings a hard-earned work. In the near future I will discuss some aspects with particular reference to games played with referees, for they are regular all-rounders.

Royal Volker Stevin nv advertisement. Rotterdam, The Netherlands. The merger of ROYAL ADRIAAN VOLKER GROUP NV and STEVIN GROEP NV was completed by way of an exchange of shares on December 1, 1978. PIERSON, HELDRING & PIERSON N.V. acted as financial adviser. The exchange offer was effectuated through the undersigned. Pierson, Heldring & Pierson N.V. Amsterdam-Rotterdam Bank N.V. Algemene Bank Nederland N.V. Bank Mees & Hope NV. Amsterdam, December, 1978.

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Employers Tomorrow, you could be asked about the Job Release Scheme. The Job Release Scheme has been extended until 31 March 1979 and now applies throughout Great Britain. This Scheme offers men aged 64 and women aged 59 on or before 31 March 1979, the chance to stop work up to a year before reaching statutory pensionable age. They'll get £26.50 a week tax-free, and many married people are eligible for £35. The point is, they can't take advantage of the Scheme without your agreement. And if you do agree to allow them to participate, then you must recruit people from the unemployed register to replace them - though not necessarily for the same jobs. As a result of this Scheme, your employees have the chance to stop work up to a year early, which may give you the chance to do a bit of promoting. Above all, you'll be able to take on new staff. Doing that means you're also giving a job to someone who's presently unemployed. Employees who wish to take part in the Job Release Scheme must apply by 31 March 1979. There'll be advertising in the national press to tell them about it. Leaflets with full details of the Job Release Scheme are available from any Employment Office, Jobcentre or Unemployment Benefit Office, or ring Eileen Tingey on 01-214 6403 or 01-214 6684 for more information. Job Release Scheme Department of Employment DE



THE ARTS

Orange Tree, Richmond

The Caucasian Chalk Circle

by B. A. YOUNG

The Caucasian Chalk Circle is not so much a play as a series of imitation folk-tales, ending with the chalk-circle trial which Brecht borrowed from the Chinese but which is a variant of the traditional judgment of Solomon. (Brecht had used it before in a story called The Augsburg Chalk Circle. He was not a notably original deviser of plots.) In Grusina, which is Soviet Georgia, two claimants to the same child are challenged to put him out of the circle in a tug-of-war. The verdict goes to the woman who stops pulling in case she hurts the child, so illustrating the overall theme of the play, that property belongs to those who make the best use of it.

Sam Walters's production emphasises the folk-like element, with his company permanently on stage, seemingly breaking into the narrative as they please—virtually the effect that Brecht required with his Singer, though here music has been all but eliminated. (Dessau's music is so horrible we can be specially grateful for this.) Moreover, the parts are not taken by single players, but headed over now and then from one to another.

Festival Hall

Messiaen & Brahms

by DAVID MURRAY

The long London Philharmonic concert on Thursday put Bernard Haitink's strained shoulder at risk, so for one work he relinquished the baton to Gilbert Amy. That was Messiaen's *Les Étoiles Resurrectionnelles*, a hieratic fresco which by its measured slowness makes taxing demands on the conductor's back. Its progress is glacial, but its icy light is refracted in a thousand colours from the sheer wall of woodwind and brass (there are no strings, and all the percussion is metallic); the composer rejoiced understandably at having his first performance in the Sainte-Chapelle and at Chartres.

writing is thick and over-doubled. Upon that glowing accompaniment Perlman spun his solo line with sweet lucidity and untroubled assurance. Apparently conductor and violinist agree that the *Allegro non troppo* that was grand and stately, to the point where the bass octaves sounded faintly ponderous, but all so cogently shaped that there was no danger of losing its momentum. Besides, Haitink and Perlman contrived a great curve of rising excitement in the quasi-Hungarian Finale, beginning unusually far back and sweeping irresistibly forward. Only Perlman's unadorned portamento gave one a moment or two of doubt; beyond question the Concerto's dedicatee Joachim used much more still, but in modest terms it is risky—if the orchestral violins are not to indulge in it, the soloist seems to be sugaring his part unnecessarily. Perlman's full-sounding tone tugs at one's sympathies enough without those winsome slides.

Shakespeare at Stock Exchange

Haitink had opened the programme with the "Clock" Symphony of Haydn: a lithe and gracious performance, too straight-faced to indicate much of the wit Haydn lavished upon the score. There was a consistently soft atmosphere from the start—best of all in the first *Vivace*, whose bite was entirely harmless. Haitink returned later with Itzhak Perlman in the Brahms Violin Concerto, and displayed the real breadth of his powers to far greater effect. Without abating his soloist he drew out the strands of the orchestral music with loving warmth, and in the Adagio with remarkable delicacy. It was a reading that might have been destined to refute the familiar charge that Brahms's symphonic

There is an exhibition of costumes from *ATV's Will Shakespeare* series at the Stock Exchange until February 21 in aid of the Royal Shakespeare Company's Barbican Appeal. The Barbican Appeal, launched last April by the Shakespeare Theatre Trust to support the work of the RSC in its new permanent London home at Barbican, has so far raised almost £150,000 towards its announced target of £1m. The Stock Exchange Exhibition is part of the first phase of the appeal which is aimed at private firms and organisations in the City of London.



A scene from Act 1 of 'Nabucco' at Bologna

Italian provincial opera

Nabucco and Parsifal

by WILLIAM WEAVER

Some of Italy's major opera houses are still in trouble. After the Kristalnacht of last summer, when a zealous, ill-advised Minister of Tourism allowed a host of eminent figures from the musical world to be sent to jail, the Fenice in Venice, the San Carlo in Naples, and the Teatro dell'Opera in Rome are, practically speaking, without artistic direction. Only La Scala and the Regio in Turin proceed smoothly. But for the operatic traveller, the smaller Italian centres, the provincial theatres, continue to offer interesting and surprising fare.

The Teatro Regio in Parma, for example, opened a short time ago with a more-than-creditable production of *Nabucco*, which will later tour other opera houses of the Emilia Romagna region, thanks to a sensible and fertile co-production plan that has been functioning for several years. Part of this plan was the creation, too, of a regional orchestra, which served Parma for the *Nabucco*.

This orchestra is excellent, capable of producing a pleasant warm sound, and the individual players are a good account of themselves in solo passages (notably in *Nabucco*, the flute and the first violin). Michelangelo Veltri's reading was fluent, straightforward, he neither emphasised the nobility of the youthful Verdi nor apologised for it with strident amplification. The chorus, employed for the occasion, was also first-rate, totally committed to the inevitable ending of "Va pensiero" was justified and appreciated.

The notorious audience of the Rario's gallery seems to have calmed down. At least they no longer demand the impossible, and they evidently appreciated the merits of the cast. If none of these singers was on the international super-star level, all were serious musicians; they did their job with skill and enthusiasm.

Perhaps the greatest enthusiasm came from the soprano Angeles Gulin, as Abigaille. This artist is familiar to the public of Parma, where she has sung almost from the start of her career. A large young woman with a big, sprawling voice, she underwent a physical and vocal change a few seasons ago, when, considerably slimmer, she seems also to have refined her style (this, at least, was the impression from a *Donna del lago* in Bologna). Now she has regained her former proportions, and her style has also returned to the earlier, unruly, but often exciting production. Every now and then, in the course of *Nabucco*, she simply belted out songs; but she was particularly thrilling in the *Chorus of the Jews*.

Her singing was a model of vocal control, and she was always in complete command of the score. Her singing was a model of vocal control, and she was always in complete command of the score. Her singing was a model of vocal control, and she was always in complete command of the score.

The Bologna orchestra, too, played well (the brass, in particular, merited praise for its clarity and accuracy), conducted by Gustav Kuhn. This young artist gave a fluent, but untroubled reading of the score. Most of the singers were imported, but still this *Parsifal* had a distinctly Italian, or Mediterranean, flavour. It deviated in some ways from the staging by the Bayreuth Festival, but it was a most enjoyable production. The *Nabucco* in Parma and the *Parsifal* in Bologna were, finally, productions of which any theatre could be proud. They would the seasons will continue with other productions of interest (the Italian premiere of *Les Étoiles Resurrectionnelles* in Bologna, Scheremetev's *The Mass in Parma* and Bologna, with a visiting troupe from Moscow). Occasionally speaking, the provinces in Italy are far from provincial.

participation; her singing betrayed a few difficulties in the second act, but she triumphed over them thanks to her musicality and her skill as an actress. Karl W. Böhm was a somewhat wooden, but acceptable *Parsifal*. A local artist, Michele Canzoneri, realised the sets, decorated with handsome sculptures in blown glass and some plastic material. The Hall of the Grail was especially effective, with its panels of deeply-scored glass, speckled with vari-coloured spots, like a Pollock. The costumes, by Dorilea Bigonetti, were traditional, opposite, Ambrosini did not always light the sets—the singers—appropriately (Böhm suffered most from the harsh illumination; he looked younger during the curtain-calls than during the performance); but for the most part, the production was, visually, successful, as was the *Parsifal* generally.

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Arts touring appointments

David Brierley, general manager of the Royal Shakespeare Company, and Eric Dinkin, administrator of Grand-bourne Theatre Opera, have been appointed to the Arts Council's Touring Committee.

Miss Annette Page, a former dancer with the Royal Ballet, and Robert Scott, administrator of the Palace Theatre, Manchester, have been re-appointed to the committee.

The Duff Cooper Memorial Prize for 1978 has been won by Mark Girouard for his book *Life in the English Country House* (Yale University Press, £10.90).

The new production by the People Show is at Cardiff, not at Leicester as reported on Saturday.

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Covent Garden

La Fille mal gardee

by CLEMENT CRISP

Nineteen years old, all but a day, Fille celebrated a birthday on Saturday afternoon with a performance more uneasy than festive. The majority of the young lovers seemed nervous. Wendy Hillis, with her light colouratura voice, was marred by Wynn Furlong, a dancer for grand effects, whose temperament—and it is temperament—that drives Furlong to rare heights, and also makes him show his frustration when things go wrong. It is all in accord with Coles' woman character.

In a ballet that demands extraordinary warmth, the delicate scale of Hillis's singing and Furlong's worldly (and sometimes inward) manner did not free into a cohesive statement about the lovers. One could not imagine them being happily united as dancers any more than they seemed united as an interpretive unit. This is not to deny the quality of Wendy Hillis's voice, which always beautifully blends and merges, and is delightful because of the moments when Furlong could set to music with the dance, though the choreography itself is not suited to his electric, muscular speed. Yet for two artists who can be outstanding in *Mousetrap*, the performance seemed below their own best achievements.

The real triumph of the afternoon, I found, was Graham Fletcher's *Alain*. In the few weeks since I last saw him in the role, he has gained in richness and in ideal interpretation. He has a sense of the music, and a big, muscular body, and a magnetic presence in his own right, in a dramatic role in his own right, in a dramatic role in his own right.

St. John's, Smith Square

Electric Phoenix

by DOMINIC GILL

After an exceptionally promising debut at St. John's last May, the Electric Phoenix returned to Smith Square on Thursday evening to give another concert of new music for four (SATB) unaccompanied amplified voices. Like any ensemble dedicated to the performance of new works, many of them specially commissioned, the Phoenix will have difficulty from time to time in matching the quality of the available repertory with their own considerable talent. So far they have managed well: there was no serious deadweight in their programme of four first performances on Thursday, and help the overtones to sound more clearly. One assumes they must keep Madrigals in their repertory: with a final polish, it should be a delightful tour de force, and much in demand.

The first and last of four Madrigals by the American composer William Brooks set texts by Gibbons (The silver swan) and Stephen Foster (My dark Virginny bride) respectively; the other texts are the composer's own—a phonemic reshuffle of the Gibbons and Foster, and a single word, "osanna," also schematically derived from the same source. They are all of them exuberant essays, subtly worked and eclectic, exploiting all manner of different styles and techniques: the first and third investigate the overtones and harmonic parts produced by different vowel sounds; the second is a jazzy memory of the Forties Bop; the last is a brilliant pastiche of popular Barbershop. Each piece has many layers: the first is mainly diatonic, the third strictly 12-tone serial—both cultivated styles. But the first is also experimental, and the third coolly traditional.

The effect of the whole is richly allusive; it would be fun one day to sit down and tease out the many side-glances and references missed at first hearing. At the end of each score

Brooks sets a date, place and dedicatee, sometimes evocative (the second madrigal is dedicated to the Westway Jazz Singers, and NYC November, 1944 refers to a Charlie Parker concert), sometimes ironical ("The silver swan" is dedicated to John Sullivan Dwight, and "Virginny bride" to S. Brainerd Foster's less than altruistic publisher). The Electric Phoenix delivered the set on the whole with admirable accuracy and panache—though there was some intonation trouble in the third which over quite settled; and practice with exact microphone positions will no doubt help the overtones to sound more clearly. One assumes they must keep Madrigals in their repertory: with a final polish, it should be a delightful tour de force, and much in demand. When the singers entered in their white tunics and black hoods at the start of the evening to sit in a circle on the floor, the first startled thought had been—here was Abba come to sing *Stimmung*. And indeed *Micro-Macro* by John Anthony Colona proved to be almost that: Karlheinz-on-the-cheap, a straight rip-off of Stockhausen's *Stimmung*, from the vocalise on a single chord, to the sustained electric drone—but respectfully short. We heard Paul Patterson's *Brain Storm* at the Phoenix's debut concert last year; and last week again, in a new, shortened version, a not unattractive Etude of special effects, with a nice line to schizoidly phrenically fast Swingle dooby-doo. *Lamento* by Odaline de la Martinez for four voices and piano, a text by John of the Cross was heavier, and put together without much fantasy; I found it also pretentious—and the endless repetition live and on tape of "porque no mueror" (the poem's central metaphysical idea) eventually exhausting.

Wigmore Hall

The English Concert

by NICHOLAS KENYON

When the players play a one by the Dutchmen Pieter Hellendaal (organist in King's Lynn and Cambridge in the 1780s) both followed the well-established pattern of smoothly dissonant Adagios followed by peppy, freely-wrought fugues. Hellendaal's fugue subjects were a bit inept, but he included a lovely final Pastoral; whereas Stanley was satisfyingly predictable.

Jennifer Smith added what sounded like a send-up of a pastoral cantata, by Thomas Arne (from which the only line I recall was about the young lad who "whistled as he went, for lack of a better way" — and Trevor Pincock slammed his way through a baroque concerto in the same "manner". It seemed absurd for the group's director to relegate himself to the sidelines even when playing a concerto: all the pieces would have benefited from firmer direction from a harpsichord placed centrally so the strings could hear it—even if it meant Mr. Pincock turning his back on us, we would then have seen Arne's Scarlatti-like hand-crossing, rather than just hearing the mistakes.

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National Gallery

attendance figures

In 1978 the National Gallery attracted by about 2,500,109 people. This figure is approximately because the recording system in the main entrance was faulty during the months of June and August. The attendance for these months had therefore to be partly estimated. In 1977 there were 2,685,819 visitors to the Gallery, and in 1976 2,515,927.

Team apart, despite the serious setbacks of the Argentine and All Blacks games is still high. There is some justification for selecting dependable men who will not let their colleagues down, rather than the more eye-catching players. One thinks of such as Young, Corless and Hignell, who were all pressed by players of apparently greater ability but were included because of their solid qualities. Neary's welcome return should not be seen as revoking this attitude, but it does denote a radical change in back-row doctrine. His and Rafter's speed will give the England pack some ginger, as will Horton's return to the second row if he is in the proper frame of mind to play to his full potential. After their splendid match against Wales, Scotland will go to Twickenham with justifiably high hopes. I expect England to win by a narrow margin. If they win it is the players who will, rightly, take the credit. If they lose, it is the selectors who will incur national opprobrium.

SOCCER

Arsenal have a hot property in Brady

FOR the fourth successive week the weather brought wholesale cancellation of football fixtures, and only five of the fourth round FA Cup matches could be played. Arsenal's First Division representatives experienced an unhappy afternoon, Manchester City being knocked out by Swindon, holders Ipswich held at home to a goal-less draw by much-improved Orient. Wolves, somewhat fortunate to secure another chance with a late goal against Newcastle, and only Nottingham Forest and Arsenal definitely through. Arsenal last year's losing analysts, had previously needed five games to dispose of Third Division team Sheffield Wednesday, and their 2-0 victory on Saturday over Notts County, whose creaky defence has conceded more goals away from home than any other team except Cardiff in the Second Division, was unimpressive. Despite continuous pressure they failed to break the deadlock until the 72nd minute, when the game was headed home a corner. Soon afterwards the genius of Brady enabled Talbot to make absolutely sure. The one significant feature of

the Highbury match was that it took place, the only London cup-tie. This was entirely due to the under-soil hearing which the directors wisely had installed years ago. And from Leeds and Leicester, who have introduced other systems of heating the ice, the other clubs have failed to follow their example. As freezing winters are not exactly unknown in Britain, there does seem a strange lack of foresight.

Although the initial installation represents a substantial investment which, incidentally, Arsenal and Leicester have already recouped, this cannot be a serious obstacle for any of the major clubs, particular in a week when Birmingham have put Trevor Francis up for transfer at £1m. The ridiculously high fees that clubs are prepared to pay for players, and their reluctance to spend on ground improvements, is due to these factors. Even if a club should over-spend then it can still reclaim the tax paid on the profit of the previous year. Understandably, the directors prefer to see

money raised by football kept in the game rather than going to the Government. Unfortunately, and stupidly, ground improvements are not tax deductible. In a first half, in which Arsenal had much of the play, but were unable to exploit their superiority against a packed defence, little of the occasion normally associated with cup-ties, or of the skill Arsenal at their best can produce, was in evidence. Despite the odd deft touch and pass, it was hard to believe that only last summer Masson had been playing in the World Cup. Nobody ran further or tried harder than Talbot. Arsenal's new, expensive acquisition from Ipswich. He is not a beautiful mover, nor an especially skilful or subtle performer, but he will give 100 per cent at home and away in all conditions all the time, which must appeal to any manager, while he will prove an inspiration to his colleagues.

One who clearly needs a tonic is Rix, currently in the middle of a horrid patch. It was difficult to recognise in this ineffectual left-half the clever young footballer who promised so much. The game improved after the interval, and Arsenal attacking on a wider front, avoided the hunching that had hampered their earlier efforts. Alan Lam Bray, who had only hinted at his brilliance in the first 45 minutes, switched on his own brand of magic to set alight the whole contest.

Goal

It culminated in the second goal when he floated past two defenders and slipped the ball through the legs of a third before presenting Talbot with his first goal for his new club. On this occasion Brady was used alongside the two front runners, Stapleton and Sunderland, where as he is normally to be found in what might best be described as a goal-scoring inside-left position. The truth is that Brady possesses a much ability, vision and control that he will spread confusion among the opposition and enchant the spectators wherever he goes. If Francis is worth a million, what price Brady, a creator and a taker of chances with the ability to beat defenders in tight situations, an entertainer who is also a magnificent footballer?

RUGBY UNION

Budge Rogers in line as top selector

ONE OF the great strengths of the RFU is its ability to call in the weak. This was the case in the selection of Budge Rogers, a devoted amateur. In spite of threats of sports ship, some hand-outs to players some blatant financial abuse, and the danger of a Kerry Packer type Rugby crisis, the game should stay basically amateur provided the authorities adhere to modern-ground rules. Of all the voluntary posts the most enviable is that of national selector, particularly in England at present. When Sandy Soaders, chairman of Selectors, retires at the end of the season, England will lose a man whose dignity, last, clarity of thought and single-mindedness have been matched by his loyalty to his colleagues and players.

Triving time

It has been a most trying time for his committee, rebuilding when two wins out of four last season were still not enough for the critics. No doubt Sanders will be asked to recommend a successor. If so, then the RFU should accept his advice, and I suspect

the new chairman will come from within the present caucus. To go outside it would be folly, for apart from picking players a selector has to establish contacts and confidences. I think there will be a short list of three—Budge Rogers, Mike Weston and Derek Morgan. All were widely respected as players. Not that this of itself makes them good selectors, any more than an outstanding player necessarily makes a good coach. All three have learned a great deal from Sanders about administration and organisation, and of the three I would hazard a guess that Rogers will be appointed. Selectors, rather like coaches, are only as good as the players around them, and it is interesting to reflect on the late and middle 60s, when England were at their most successful. To the young players of that era the selectors, headed by Carston Catcheside, were an improbable lot. How little the young know about their elders. Beneath the eccentric front Catcheside was a abrewd judge. His job was made all the easier by the simultaneous emergence

of a cluster of players who were "virtually" picked by him. This is true, but it is also true that where a selector's centre on two players is not good, it is better to have a selector who has not tried to pick the best possible players.

Table

Sanders and his colleagues originally selected a 15-man team, and so in effect a 15-man squad. It is better to limit the number and concentrate on them, but of course, England have not been able to get together with the same frequency as the other countries. The selectors seem to go off the rails in picking New Zealand, they appeared to go for sheer bulk. Their latest selection, against Scotland, aims to correct their error while giving the young Northampton prop Pearce, his first cap after very little senior Rugby. It is a bold gamble, but one recalls the outcry that the selection of Stack Stevens caused, and how well he played for England and the Lions.

BY PETER ROBBINS

THE RHODESIA REFERENDUM: By Tony Hawkins in Salisbury

A choice between gloom and doom

Limits to picketing

THE TWO aspects of picketing which have caused most concern during the last few weeks are, first, the use of threats and other forms of intimidation to prevent employees from passing through the picket line, and, second, interference with the lawful activities of employers and employees who are not concerned in the dispute.

Enforcement

Mr. Silkin went on to say that if a picket obstructs the highway in order to cause a driver to stop, that is a breach of the criminal law and Section 15 is no defence.

The enforcement of the criminal law is, of course, a matter for the police and Mr. Silkin's statement should encourage them to do so.

There are, of course, some problems over the definition of the word "intimidation," but Mr. Silkin's statement should at least serve to remind trade union leaders at all levels of what the law is and of their responsibility to ensure that it is observed.

Rethinking U.S. strategy

THE STRATEGIC nuclear arms race has for many months been one of the most hotly debated political issues in Washington.

Now, with last week's publication of the next year's Defense Budget, the Administration's thinking on a number of key issues is beginning to emerge more clearly.

At the first Congressional hearing last Thursday, Mr. Harold Brown, the Defence Secretary, argued that the continuing Soviet build-up justified increased American spending on strategic nuclear missiles in response.

Many questions, however, remain unanswered. It is by no means clear what sort of missile will be chosen or where it will be based.

The decision to retarget the American intercontinental missile force is also likely to be controversial. Mr. Brown has said that the move would ensure that Soviet silos are not a "sanctuary" from which they could "shoot with impunity."

BARRING A big upset Rhodesia's White electorate will vote tomorrow to transfer power to the Black majority in one man one vote elections in April this year.



Mr. Smith—no longer the jolly good fellow?

In surrendering the principle of White minority rule, Mr. Smith has simultaneously lost a significant proportion of his previous electoral support.

Unenviable position

During the referendum campaign Mr. Smith has strayed into what is for him very unfamiliar terrain.

No politician enjoys eating his words in public and Mr. Smith is no exception.

Mr. Smith and his colleagues explain that what they are doing now is not from either choice or conviction.

MEN AND MATTERS

A kind of success under Bow Bells

After 15 years and over 500 lunchtime dialogues with "everybody who ever was of interest, or pretty well everybody," the vicar of St. Mary le Bow in Chancery Lane, the Reverend Joseph McCulloch, has organised an "last series, starting on Tuesday next week."

"No man ever says he's succeeded, but there was never a seat vacant, and the standing men were over-filled for 15 years," says McCulloch.

The last series will not, he hopes, be televised. "I'm not very keen on the media. They're a mixed blessing."

Brave Scotsmen

Coca-Cola may, as the Chinese marketing campaign puts it, render one bappy. But I bear Seagrams has made doubly sure of this by selling a consignment of rum to fortify the secret formula.

majority rule," to use Mr. Smith's own expression.

Even right-wing Senators and Congressmen in the U.S. told him last October that unless he was prepared to abolish all race discrimination and to accept one man one vote elections, he would never secure U.S. recognition, says Mr. Smith.

Furthermore with martial law applying in 85 per cent of the country (and likely to be extended to cover the country as a whole by April) and with the existence of the so-called private armies (which even Chief Chirau, a member of the four man executive council in the transitional government, says will make it impossible to hold free and fair elections), the chances of international recognition of the vote would seem to be slim.

A further snag is that since the Case-Javits resolution was approved in the U.S. Senate, there has been one major change in the March agreement.

He accuses the Prime Minister of "hatant misrepresentation" of the prospects for international recognition and an end to the war.

It is the hope of world recognition that the electorate finds difficult to believe in.

Reshaping a folly

Notwithstanding preoccupations on other fronts, Lloyd's is facing with urban calm some heavy sniping from conservationists.

Morals, and New York's bankruptcy aside, the problem is to find old centimes, which are gradually being melted down.

The old French centime, no longer minted but still legal tender is being used for a distinctly un-American purpose across the Atlantic, I learn.

Collectors' items

The old French centime, no longer minted but still legal tender is being used for a distinctly un-American purpose across the Atlantic, I learn.

It was built in the 1920s, and

RHODESIA SINCE UDI

- Nov. 11 1965 Ian Smith makes his unilateral declaration of independence from Britain.
Dec. 1966 Mr. Smith and Harold Wilson meet aboard HMS Tiger for abortive settlement negotiations.
Oct. 1968 Mr. Wilson and Mr. Smith meet again aboard HMS Fearless.
Nov. 1971 Mr. Smith and Sir Alec Douglas-Home, then British Foreign Secretary, reach agreement on settlement proposals, subject to their acceptability to people of Rhodesia.
May 1972 Pearce Commission finds the 1971 agreement is not acceptable to majority of Rhodesians.
Oct-Dec. 1976 Geneva conference between Rhodesian Government and Black nationalists under British chairmanship.
Sept. 1977 Britain publishes Anglo-American settlement proposals, attacked by both Mr. Smith and Patriotic Front guerrillas.
March 1978 Mr. Smith and three internally-based nationalists reach agreement on majority rule framework. Pact condemned by Patriotic Front guerrillas, who vow to fight on.
Jan. 30 1979 Referendum among whites on "internal" settlement constitution.
April 20 1979 Election by universal suffrage, provided the referendum is successful.

on the country's future and provided that the March agreement was fully implemented (including the successful holding of majority rule elections) then economic sanctions against Rhodesia should be lifted.

While the transitional government did agree to attend an all party meeting "without preconditions" the chances of the April elections being seen as "free and fair" would seem to be extremely remote.

Furthermore with martial law applying in 85 per cent of the country (and likely to be extended to cover the country as a whole by April) and with the existence of the so-called private armies (which even Chief Chirau, a member of the four man executive council in the transitional government, says will make it impossible to hold free and fair elections), the chances of international recognition of the vote would seem to be slim.

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It is the hope of world recognition that the electorate finds difficult to believe in.

Mr. Smith's credibility is in this stage he only resigned from Mr. Smith's Cabinet a month ago having previously supported the government and UDI (which he now says must be renounced).

Hopeful traveller

The latest outbreak of the British Disease has at least provided innocent amusement for followers of our fortunes abroad.

Eban considers a peace treaty in the Middle East will be concluded despite the present impasse.

Inside dealings

A reader has sent me an illuminating advertisement from a U.S. magazine. It is for "executive underwear" attractively printed with Stock Market listings and "packaged in a briefcase-like case."

Observers

"I make the rounds of every bakery I find in the French



Mr. Nkomo—dancing in the streets of Moscow?

not a solution in itself, he says, but it will force the transitional government to think again and to renegotiate an internationally acceptable solution involving a British presence during the transitional period.

Collapse later

Mr. Hayman's position is broadly similar to that adopted by some elements within the National Unifying Force, an alliance of political moderates, which also believes that the internal settlement is destined to collapse later in the year.

Mr. Smith is expected, at his last hurrah—he has said he will retire from politics at the April elections—to carry at least 60 per cent of those votes that are actually cast.

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Fly the Big Orange.

London to Dallas-Fort Worth non-stop. Daily. It's got all the right connections in America's Big Country.

Braniff's colourful 747 takes off daily from London Gatwick at 11.45am to Dallas-Fort Worth, arriving at 3.05pm.

At Dallas-Fort Worth there are immediate connections with Braniff flights to major cities throughout the Big Country and Mexico.

Map showing flight routes from London to Dallas-Fort Worth, Houston, San Antonio, Las Vegas, Denver, Chicago, and Mexico City. Includes Braniff International logo and contact information.

# The flaws in Volvo's grand design

By WILLIAM DULLFORCE, Nordic Correspondent, in Stockholm

"PEOPLE ABROAD have the impression that the advance of Swedish industry has been broken—that we are resting on our laurels; that we lack ideas and commitment and have an uncertain future. Volvo wanted to show that this need not be so."

This spoke Mr. Pehr Gyllenhammar, Volvo's managing director, on Friday, when he acknowledged the defeat of his plan to sell 40 per cent of the car and truck company to Norway for SKr 850m (\$10m or \$212m). The words reflect the dimensions in which he himself saw the complex deal he had negotiated, involving North Sea oil venture for Volvo and complementary agreements between the Swedish and Norwegian governments for oil and timber exchanges. The words also display a highly pitched ambition in the leader of a private enterprise.

Mr. Gyllenhammar was defeated in a 17-day campaign by a group of small shareholders who had their noses much closer to the ground and thought their managing director should apply more mundane business criteria. They have stated one of the most dramatic contributions in Swedish business history and in the process have thrown the designs of two governments.

The political reverberations of their victory are likely to be widespread within Sweden. The trade unions and left-wing parties see the shareholders' action as a classic example of capitalism subverting national interests. The victors believe that by neutralising the message of linked agreements they have demonstrated the incompatibility of mixing state and private business.

Yet Mr. Gyllenhammar may not be entirely wrong in linking the fortunes of his company with those of Swedish industry in general. Volvo's Norwegian drama has highlighted dilemmas common to Swedish manufacturing com-

panies. With its SKr 19bn turnover in 1978 and its 45,000 employees in Sweden, Volvo is the country's largest industrial enterprise. Like that of the Swedish economy as a whole, its existence depends on exports. It has to compete abroad from a high-cost base and in recent years it has not been able to generate enough profit to make the long-term investments which might ensure its future viability.

Mr. Gyllenhammar insists that Volvo remains a sound company. It is true that it has come through the recession financially intact and has not had to reduce the shareholders' dividend. But the fall of the Volvo share price on the Stockholm exchange from around SKr 250 to SKr 20 over the last year illustrates the market's opinion of its status and its equity ratio (shareholders' equity plus 47 per cent of untaxed reserves as a percentage of total assets) has slumped from over 31 per cent in 1972 to under 28 per cent.

Under Mr. Gyllenhammar's leadership during this decade Volvo has fought a skilful defensive battle but with the exception of its heavy trucks every effort to break out of its defensive posture has failed. The Volvo 343 car produced in Holland is still losing some SKr200m a year, the plan to assemble cars in the U.S. has had to be abandoned and diversification into construction and forestry machinery and into leisure products have not been profitable.

In common with other Swedish engineering exporters, Volvo faces a new competitive situation. The threat is not so much the new car production in low-cost countries as the invasion of the market sector into which its main product, the large 240/260 models fit, by existing high-volume producers.

Volvo has spent heavily on rationalising production and has continued the policy, which

has hitherto served it well, of gradual technical improvement of its cars. Now it has to meet both the competition of bigger car makers and the challenge of a swifter advance in car technology, involving electronics and new materials.

Mr. Gyllenhammar said on Friday that his deal with Norway was not just a matter of money but the thread running through the shareholders' prospectus was the company's need for more capital. The reduced return on capital has coincided with the necessity to spend more on research and product development and on tooling up for a new car. Both the size and the risk of the investment have increased. The question is whether they are beyond the capacity of the present shareholders and whether Volvo can remain a private company or whether it must suffer the fate of the nationalised Swedish shipyards and steel mills.

Over the last two years it has made three attempts to solve its problem: the first was an abortive merger with Saab-Scania, the other Swedish car and truck maker. The second was to seek product development funding from the Government, which was already committed to unprecedented outlays on buttressing the ship yards, steel and mining companies. Volvo was not turned down flat, but the Ministry of Industry wanted to revert to the possibility of merging Swedish car production.

Interpreting that as a snub from the non-Socialist Government, Mr. Gyllenhammar went across the border to the Labour Government in Norway. Norway has been trying for years with little success to interest other countries in trading industrial cooperation and technology for North Sea oil. More particularly, the Norwegians are keen to process more of their aluminium into finished products and to

## VOLVO: PRODUCTS AND MARKETS

PRODUCT GROUP	Per cent of total sales		
	1975	1976	1977
Cars	55	54	51
Trucks	22	23	25
Buses and public transport systems	2	3	3
Marine and industrial engines	4	5	5
Construction equipment, farm and forest machinery	12	11	11
Aircraft engines, etc.	3	2	3
Recreational products	1	1	1
Other sales	1	1	1
Total	100	100	100

MARKET AREA	Per cent of total sales		
	1975	1976	1977
Sweden	29	32	29
Nordic Area, excluding Sweden	12	13	14
Europe, excluding Nordic Area	28	30	33
North America	16	11	12
Other markets	15	14	12
Total	100	100	100

Source: Volvo

develop their new plastic industry—two materials of growing importance in car construction. Moreover, Norway could offer another and more promising opportunity for diversification by a privileged entry to North Sea exploration and the chance of moving into the offshore construction and supply business. Finally, the whole scheme would give an enormous boost to the Nordic industrial cooperation, which the five countries of northern Europe have long thought desirable but have done little to realise.

When it was announced last May, the Volvo-Norway deal impressed by its boldness and vision. What went wrong? On the face of it there was a sound basis for co-operation between Norwegian companies and Volvo. Norway produces about 850,000 tonnes a year of primary aluminium, an industry which owes its existence to cheap hydro-electric power. Only about 100,000 tonnes is processed domestically into semi-finished or finished products.

The Norwegians want to process more of their aluminium and reap the benefit of the added value. Like Sweden, Norway is a prosperous welfare state with high incomes and high-cost production. It too, has over-capacity in its shipyards and its manufacturing companies have a productivity problem, because they have been induced to keep on more workers than output and sales justify.

Following the Swedish example again, there is urgent need to reorganise Norwegian industry and to develop new branches and higher-grade products. Norway will not lack investment capital but it is short of experience of product development, management and marketing. For the past couple of years the Government has been trying to "buy" experience by offering long-term oil contracts in return for industrial co-operation. A prime target has been West Germany, but results have so far been disappointing.

In the aluminium field plans

centre on three companies, Ardal og Sunddal Verk, Kongsberg Vaapenfabrikker, and Raufoss Ammunisjonsfabrikker. All are state-owned. Ardal and Sunddal is a big primary producer moving down market, buying up foundries and developing its own processing units. The other two were originally ammunition and military equipment manufacturers but have expanded into metal processing, turbine production and electronics.

All three are suppliers to Volvo on a small scale and wish to exploit the opportunity offered by the increasing use of aluminium components in the automobile industry. Raufoss makes the new bumper on Volvo cars. Statistics are uncertain, but probably not much more than 10,000 tonnes of Norwegian aluminium is currently processed into automotive components at home.

This compares with exports to West Germany of some 170,000 tonnes of primary aluminium a year. The Norwegians do not know how much of it goes into automobile components, but it is certainly considerably more than the 10,000 tonnes they process themselves.

For the Norwegian Government the arrival in Oslo of Mr. Gyllenhammar seeking capital opened up an enticing prospect of a captive customer and the opportunity to develop products in close collaboration with a manufacturer whose skill in component buying is internationally recognised. Similar prospects were seen for the infant plastics industry, based on the new petrochemical complex at Raufoss.

A new car project was outlined, to be developed at least to the prototype stage in Norway and with Volvo and Norwegian aluminium co-operating in the development of new light materials. Two sets of high-cost producers with pro-

ductivity and competition problems were setting up a bi-national effort to exploit their technical advantages with an input of risk capital sufficient to see them through the next five years. From the industrial point of view it looked promising.

The trouble was that Mr. Othar Nordli, the Norwegian Prime Minister, needed to meet some political objectives. Volvo was committed to establishing between 3,000 and 5,000 new jobs in Norway and to spending between SKr 650m and SKr 850m there over the five-year period. These commitments largely nullified the effect of Volvo's SKr 750m equity gain.

In addition the deal was tied to long-term agreements between the governments for Norwegian oil deliveries to Sweden, which in turn was linked with an agreement for Swedish timber deliveries to Norwegian mills.

This last agreement was interpreted differently by the two governments. The outcome was a pot-pourri which not only did not stand up to the examination of business analysts but would also have imposed a great burden on the Volvo management. Doubts even took root in the Volvo boardroom. The fact that the Swedish Shareholders' Association was able to mobilise 88 per cent of the shareholders and block the sale of stock to Norway was probably due mainly to suspicion of the complexity of the package and of the unconvincing blend of political, national economic and business interests.

Mr. Gyllenhammar's third effort to solve his company's capital problems has failed. The development problems of Norwegian industry also remain. What now?

The Volvo management says it will pursue its contacts with Norwegian aluminium and plastics manufacturers but they may already indirectly have gained

from all the publicity. Next month Oslo expects visits from Ford's European purchasing director, a Citroen team, and Fiat's managing director, Sig. Umberto Agnelli. Daimler-Benz and BMW have also signalled their intention to send delegations.

For Volvo the immediate course is to retreat within the Swedish bastion. The institutional investors, who helped bring down the Norway project, by arguing that the company's capital needs could be met at home, are now morally bound to show the colour of their money. That may not however meet Volvo's long-term requirements.

A return to the idea of a merger with Saab-Scania seems to be inevitable. It has been advocated by the coalition Government, which collapsed in October, by the present Liberal minority Government, by the opposition Social Democrats and by the unions. The Government has been examining a modified merger, perhaps restricted to the car operations.

There will be some obstacles in the short-term. They concern what may be termed the "conspiracy theory" about the breakdown of the Norwegian plan. According to it, the general of the campaign against the Norwegian project was Dr. Marcus Wallenberg, Saab-Scania's chairman. Dr. Wallenberg worked for a merger with Volvo in 1977. The conspiracy theory is accepted as true in Oslo and also by the Swedish Social Democrats and unions.

Mr. Olof Palme, the Social Democrat leader, said yesterday that providing more private capital for Volvo would only "give greater influence to the Wallenberg interests." The funds should be public. Mr. Palme is poised for a return to power in the election in September. Volvo's small shareholders have won a battle: they have yet to win the war.

## Bearings in Europe

From the Managing Director, Industra Engineering Products. Sir,—It was with interest that we read your article of January 23 regarding SKF and the general bearing market situation in this country.

I really feel that it must be stated that you did not give enough prominence to the tremendous competition from tern Europe, namely the necon countries. Whatever is said about the market, Japanese companies have the end got to make a profit eventually they will be out of iness. From eastern Europe, Communist countries are at what is referred to as the bearing trade as political es, and this they are doing ey to obtain western curcy. The menace from tern Europe, in our opinion, is far greater than the anese have ever been.

It is so difficult to prove uping against eastern opean companies, one to the icality in comparing their istic prices with their ext prices. The high volume s which the Japanese special in originally have always n e fairly cut-throat market. bearing companies did at get profit, as you indicated your article, in the replace- n market, but as you did not teate in your article, in the r size of bearings which not the high volume types, is precisely in this one stable area that eastern opean companies have been tern European production.

## Lucky for London

From the Leader of the Opposition, Greater London Council. Sir,—On January 24 you carried an article which referred to the £250m that Greater London Council will spend on inner city projects. You quote the deputy leader of GLC as attacking the Labour Government for lacking financial responsibility. This is a completely untenable position, in fact Government aid to inner London massively exceeds GLC spending. Money is available to GLC because of the Labour Government's policy of discriminating in favour of the big cities, in total contrast to national Tory policy of cutting public spending and switching the bulk of the remainder to the shires.

The absurdity of the claim to be spending £250m this year while the Government stands idly by is exposed by simple arithmetic. We can deduct £50m paid by Government for the Thames Barrier and £50m for river area transport spending. Most of the rest is housing which receives a 60 per cent Exchequer subsidy. All in all, net cost of £80m will be spent by GLC in the inner city. By contrast, much of this cannot be described as spending on inner city needs.

This has to be compared to the massive Government support, not only of the rivers, mentioned above, but also the £1bn London gets in rate support, which is 28 per cent of the national allocation, a vast improvement on the 14 per cent received from the Health (Government). Social inner city spending by Government alone exceeds the GLC contribution; the urban programme and

## Letters to the Editor

the City of London. The abundant coverage given to the new building in the architectural Press at the time make it unmistakably clear that Cooper's building was considered something out of the ordinary.

Lloyd's was no less enthusiastic. When Cooper received his Gold Medal, Sir Percy Mackinnon said on behalf of Lloyd's: "I was associated with Sir Edwin Cooper in the building of the new Lloyd's building, and I can say without any hesitation or qualification that it would be difficult to imagine a greater architect than Sir Edwin Cooper... he has produced for us at Lloyd's an almost perfect building." It is the interior of Cooper's building which is the finest point: the vaulted corridor; the elliptical tribune; the magnificent underwriting room; the library; the committee room; and the dining room. Two of these, Christopher Hussey said in 1928, were "as good as anything done in the City since the time of Grinling Gibbons."

Cooper's Port of London Authority building has been modernised and refurbished—a similar programme in the Lloyd's old building would cost far less than the proposed £45m new building. Out of Lloyd's 14,000 members only just over 900 voted on the proposals—most were not even sent a proper brief. Once again we urge that refurbishment should be considered in preference to redevelopment.

## Picketing and a free society

From Mr. P. Bridge. Sir,—I would like to take issue with your correspondent, Justinian, January 22) who suggests that some form of picketing is reasonable and should be permitted in a free society.

Picketing is not just a means of communication. Employees who agree together to withdraw their labour have considerable opportunities to draw the attention of other employees to the fact that they are doing so and the reasons for it. Indeed it would be difficult for the other employees to avoid acquiring this knowledge quickly. There is no reason why such employees should be given the legal privilege of a means of communication which is an oppression to others.

## Strategy for energy

From Mr. N. Jenkins. Sir,—In your issue of January 10 you reported the chairman of the Central Electricity Generating Board as calling for speed in planning for district heating. Also (January 12) the review of the International Institute for Environment and Development's new report "A low energy strategy" shows how small a part electricity will play in the new energy strategies now developing. At last, the change of emphasis that was demanded by the demarche of the Organisation of Petroleum Exporting Countries in October, 1977, is now beginning to be acknowledged.

In the full report of Mr. Glen England's speech at the oil power station there is admitted the need for radical modifications to generating units; also

environmental schemes are worth over £100m a year and inner city construction aid is about £50m. Luckily for London this inner city aid is controlled by a Labour Government and we get about a third of the total.

Quite apart from Government aid to other local authorities for health, education and employment organisations the Government spends £5.5m on London's inner city projects, for every £1 spent by GLC. The Tories at County Hall would do better to reflect on the help London gets from Government and spend less time making hypocritical attacks on that Government. (Sir) Reg Goodwin, Room 133, County Hall, SE1.

Such enquiries and eventual priority decisions are the function of an independent energy council, not for an energy committee which serves as a platform for public relations between energy interests each promoting their own case, rightly or wrongly as they must do to preserve their separate identities.

The speed with which the consumer changed to gas will be as nothing when piped hot water is available—at a lower cost. In London Pimlico has it at 15p per therm. Mr. England's recent speech refers to greenhouses at Drax and fish farming at other power stations. The greenhouse at Drax covers half an acre. At 10 watts per sq ft there is enough waste energy from one 2,000MW (e) unit to heat 10 square miles. The rise the same speaker suggests for heat at Didcot must be something dramatically novel if more than a tiny fraction could be put to useful ends. How can such trifling developments be anything but red herrings, how can they be in any sense the encouraging developments in joint ventures with private enterprise? This speech promises.

Surely, our need for an independent energy council — to replace the now admittedly out-moded Electricity Council — is urgent and vital to our precious energy future. Norman Jenkins, Whitehill, Ewshot, Farnham, Surrey.

## Can employers strike?

From the Managing Director, Malton Textiles. Sir,—Employers have a weapon quite as strong as the employees' right to withdraw their labour. Employers are unpaid tax collectors for the Government. Every week they collect PAYE at great cost to themselves in staff employed, books kept and audited.

Therefore, I suggest that all employers give notice that on a certain date they will cease to pay over PAYE until Parliament brings in laws to forbid strikes in essential industries, to limit the numbers on picket lines, to prevent secondary picketing, to enforce secret postal ballots before strikes and to forbid closed shops. This idea will be more attractive to small and medium firms than to the large, State-supported companies, but it is one way of forcing action against the selfish bullying of a few powerful unions. D. C. Smith, Malton Textiles, Beam Street, Kirby Misperton, Malton, N. Yorks.

there is identification of a crucial question outside the CEG's competence — whether there would be wide enough acceptance of distributed heat as a public service.

The answer to that is to show by completely independent enquiry just how little the resulting energy would cost when generated in combined heat and power plants — compared with substitute natural gas, the only valid alternative. Doorstep plant and distribution building costs, together with heating costs — in-house consumption costs — have yet to be mounted alongside each other for the ultimate comparison.

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## Today's Events

- GENERAL: UK-TUC General Council discusses the economy with the Prime Minister in Downing Street.
- TUC Employment Policy and Organisation Committee meets to consider industrial relations and a new picketing code.
- National Union of Journalists starts disciplinary hearing in Birmingham on 100 members who disobeyed strike instruction.
- National Union of Bank Employees special delegates conference called to consider banking hours.
- UK-Romanian Joint Commission meets the London Chamber of Commerce for trade talks.
- Sir Kenneth Cork, Lord Mayor of London, visits City of London Deansy Synod at Inholders' Hall, College Street.
- Overseas: Mr. Deng Xiaoping, Chinese Vice Premier, begins a five-day tour of the U.S., including visits to Washington, Van A. Houston and Seattle, starting with a state dinner given by President Carter at the White House (ex-Presidents Nixon and Ford will attend).
- Mr. Christoph Van der Klauw, Dutch Foreign Minister, and chairman of the Council of Europe, addresses the Council of Europe Parliamentary Assembly (meeting in Strasbourg, until February 2).
- International Swets and Sear's Fair opens in Cologne (until February 3).
- International conditions hearing and negotiations show opening in Philadelphia (until February 1).
- House (ex-Presidents Nixon and Ford will attend).
- Mr. Christoph Van der Klauw, Dutch Foreign Minister, and chairman of the Council of Europe, addresses the Council of Europe Parliamentary Assembly (meeting in Strasbourg, until February 2).
- International Swets and Sear's Fair opens in Cologne (until February 3).
- International conditions hearing and negotiations show opening in Philadelphia (until February 1).
- PARLIAMENTARY BUSINESS: House of Commons—Secy. of State for the Prs Commis. (Amendment) Bill, W. G. Geography Broadcast Lic. (Change and Exemption) (Amendment) Regulations. COMPANY RESULTS: Final dividends: Dornier, At. P. Interim dividend: H. D. Trust, Rowland G. G. and New T. COMPART MEETINGS: See Financial Diary on p. 12.

This advertisement appears as a matter of record only.

29th November, 1978

### FRENCH FRANCS 150,000,000

9 1/4 per cent. Bonds due 1988



Société Nationale Elf Aquitaine

Banque de l'Indochine et de Suez  
Banque Nationale de Paris  
Crédit Lyonnais  
Deutsche Bank  
Dresdner Bank  
Union Bank of Switzerland (Securities)  
Swiss Bank Corporation (Overseas)  
Nomura Europe N.V.

Alhambra Bank of Kuwait (K.S.C.)  
A.E. Ames & Co. Limited  
Banca Commerciale Italiana  
Bank Julius Baer International Limited  
The Bank of Tokyo (Holland) N.V.  
Banque Arabe et Internationale d'Investissement (B.A.I.I.)  
Banque Française du Commerce Extérieur  
Banque Internationale à Luxembourg, S.A.  
Banque Louis-Dreyfus  
Banque de la Société Financière Européenne  
Banque Vigeant et Commerciale de Paris  
Bancaria Bank International Limited  
Bayerische Landesbank Girozentrale  
Berliner Handels- und Bankverein  
Caisse Centrale des Banques de France  
Caisse de Dépôts et Consignations  
Cassa di Risparmio di Venezia  
Citicorp International Group  
Crédit Agricole (C.N.C.A.)  
Crédit du Nord  
Daiva Europe N.V.  
DG BANK  
Deutsche Genossenschaftsbank  
European Banking Company Limited  
Antony Gibbs Holdings Ltd.  
E.V. Hutton International N.V.  
Estrada Banco de São Paulo de Toronto  
Kleinwort, Benson Limited  
Kahn Loeb Lehman Brothers International  
Kuwait International Investment Co. S.A.K.  
Lazard Frères et Cie  
Messier Lynch International & Co.  
Morgan Stanley International Limited  
Oesterreichische Länderbank AG.  
Postbank  
J. Henry Schroder Wegg & Co. Limited  
Smith Barney, Harris Upham & Co. Incorporated  
Société Générale Alsacienne de Banque  
Société Séquanaise de Banque  
Veritas und Westbank  
Westdeutsche Landesbank Girozentrale  
Wood Gundy Limited

Algerne Bank Nederland N.V.  
The Arab and Morgan Grenfell Finance Company Limited  
Banca Nazionale del Lavoro  
Bank of America International Limited  
Bankers Trust International Limited  
Banque Bruxelles Lambert S.A.  
Banque Générale de Luxembourg S.A.  
Banque Internationale pour l'Afrique Occidentale (B.I.A.O.)  
Banque de Paris et des Pays-Bas  
Banque Rothschild  
Banque de l'Union Européenne  
Banque Von Ernst et Cie S.A.  
Bayerische Hypothek- und Wechselbank  
Bergan Bank  
Blyth Eastman Dillon & Co. International Limited  
Centrale Rabobank  
Christians Bank of Kreditkasse  
County Bank Limited  
Crédit Commercial de France  
Crédit Industriel et Commercial  
Crédit Suisse First Boston Limited  
Crédito Italiano  
Den Danske Bank  
Deutsche Bank  
Dillon, Read Overseas Corporation  
Finacor  
Girozentrale und Bank der Oesterreichischen Sparkassen  
Hill Samuel & Co. Limited  
Internation-Banque  
Kidder, Peabody International Limited  
Kreditbank S.A. Luxembourg  
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)  
Lazard Frères et Cie  
Manufacturers Hanover Limited  
Morgan Grenfell & Co. Limited  
The Nikko Securities Co., (Europe) Ltd.  
PKBanken  
Salomon Brothers International  
Skandinaviska Enskilda Banken  
Société Générale  
Société Lyonnaise de Dépôts  
Svenska Handelsbanken  
S.G. Warburg & Co. Ltd.  
Dean Witter Reynolds International  
Yamachi International (Europe) Limited



Combined options trading plan in US

WASHINGTON—The Justice Department has urged the Securities and Exchange Commission to approve proposals...

Record earnings at TDK

BY YOKO SHIBATA IN TOKYO

TDK ELECTRONICS Company, the top Japanese manufacturer of ferrites and magnetic tapes achieved record consolidated sales and profits for financial year to November.

Since half of TDK's products sold overseas were produced abroad, the company was not badly affected by the impact of the yen appreciation. On the contrary, the yen appreciation worked favourably for the company in cutting cost of raw materials.

BIS issues new loan figures

BY MARY CAMPBELL

THE TABLE shows, for selected countries, the latest figures for part of a general policy of improving information on the structure of major commercial banks' lending.

December 1977 are not possible because of major improvements in the way the statistics are gathered. For instance, French banks' buyers' credits to importers of French goods were included for the first time in the June 1978 statistics.

Table with columns: Country, Borrowing \$ bn, Of which repayable within 1 year, Unused credit facilities, Net borrowing \$ bn\*

Christmas sales boost Hudson's Bay

TORONTO—Hudson's Bay Company's earnings in 1978 is projecting earnings for the year ending January 31 in the area of \$270 a share, based on the weighted average of 16.50 shares outstanding during the year, or a total of some \$344m.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table.

Table with columns: Company Name, Date, Announcement, Amount

RECENT ISSUES

Table with columns: Issue Price, Stock, 1978/79, High, Low

FIXED INTEREST STOCKS

Table with columns: Issue Price, Stock, 1978/79, High, Low

"RIGHTS" OFFERS

Table with columns: Issue Price, Stock, 1978/9, High, Low

BASE LENDING RATES

Table with columns: Bank Name, Rate

CURRENCIES, MONEY and GOLD

Nervous interest rates

BY COLIN MILLHAM

Interest rates remained very sensitive in Europe last week. Britain's industrial problems led to higher rates in the London interbank market.

central banks will be pleased to see the sharp fall in Frankfurt call money on Friday. It had previously risen to around 4 per cent in reaction to the 1 per cent increase in the Bundesbank Lombard rate to 4 per cent on January 18.

recently introduced measures to ease restrictions on bank credit, but the rise in Milan interest rates on Friday was generally thought to be a reaction to recent problems over liquidity.

CURRENCY RATES

Table with columns: Currency, Rate

THE DOLLAR SPOT AND FORWARD

Table with columns: Date, Day's spread, Close, One month, Three months

OTHER MARKETS

Table with columns: Market Name, Price

THE POUND SPOT

Table with columns: Date, Day's spread, Close, One month, Three months

FORWARD AGAINST £

Table with columns: Date, Day's spread, Close, One month, Three months

EXCHANGE CROSS RATES

Table with columns: Currency, Rate

LONDON MONEY RATES

Table with columns: Term, Rate

MONEY RATES

Table with columns: Term, Rate

Consolidated-Bathurst ahead

BY ROBERT GIBBENS IN MONTREAL

CONSOLIDATED-Bathurst, controlled by Power Corporation of Canada and one of Canada's largest pulp and paper concerns, earned C\$ 23.3m or 98 cents a share in fourth quarter 1978 on sales of C\$ 303m.

Public Works Loan Board rates

Effective from January 20

Table with columns: Term, Rate

Mercantile House Holdings advertisement featuring an image of a hand holding a pen and text about company name change and services.



INTERNATIONAL CAPITAL MARKETS

BY NICHOLAS COLCHESTER AND FRANCIS GHILES

INTERNATIONAL BONDS

Early cuckoo for dollar sector

AT THE first sign of a thaw in the dollar sector in the international bond market, two new issues... for Hudson's Bay Company and New Brunswick Electric Power...

the dollar bond market for the last four months. Over that period the volume of new dollar issues has amounted to about \$200m...

moving out of longer-dated issues on Friday. The convertible bond market was more active, with American names firming up on the good news from the U.S.

Three Japanese convertibles were announced last week and a private placement for Eurofima. The Kansai Electric convertible was priced at par with indicated conditions otherwise unchanged.

There is, moreover, real concern that inflation will accelerate beyond last year's 9 per cent rate this year, and more pronounced fears that the dollar will again come under heavy pressure on the foreign exchange markets in the next few months.

CURRENT INTERNATIONAL BOND ISSUES

Table with columns: Borrowers, Amount, Maturity, Av. life, Coupon, Price, Lead manager, Offer yield. Includes sections for U.S. DOLLARS, D-MARKS, FRENCH FRANCS, YEN, KUWAITI DINARS, AUSTRALIAN DOLLARS.

IRANIAN DEBT

BY JOHN EVANS

Keeping fingers crossed

AS IRAN remains trapped in a seemingly endless series of internal crises, international finance and trade links with the country are showing ominous signs of further strain.

With this uncertain background, the international banks, which have extended some \$5bn of new Eurocurrency loans alone to Iran in the past few years...

The two latest polls—on loans of \$130m and \$200m respectively to this Iranian bank—are not yet complete. On the basis of replies received so far, it looks as if participating banks are still declining to declare the Iranian institution's credits in default.

U.S. BONDS

BY STEWART FLEMING

An orgy of economic optimism

THE BOND markets were questioning this week whether it would be third time lucky for Mr. G. William Miller, the chairman of the Federal Reserve Board...

as much as point-and-a-half, equivalent to \$15 for every \$1,000 of face value, and the markets have once again begun to debate whether or not U.S. rates are peaking.

Three month bank certificates of deposit are now yielding 10.25 per cent compared with 10.90 four weeks ago.

The rationale appears to be a judgment that while short-term interest rates could rise a little further and there could be some bad inflation news early in the year, looking three to six months ahead the investment climate should be improving...

Few Wall Street economists are impressed with this optimistic outlook, however. The economy is in surprisingly robust health, a factor which casts doubt on the recent pronouncement of the money supply as a reliable indicator of the future.

A FINANCIAL TIMES SURVEY

INDIA

FEBRUARY 5th 1979

The Financial Times proposes to publish a major Survey on India. The survey originally scheduled for January 29 will now be published on Monday February 5.

The editorial synopsis will include the following topics:

- POLITICS, AGRICULTURE, THE ECONOMY, INDUSTRY, TRADE, LABOUR, POWER, FOREIGN POLICY, POPULATION, CENTRAL GOVERNMENT STATE RELATIONS, THE STATES, VILLAGE LIFE, FLOODS, STEEL, THE PRESS

For details of advertising rates please contact Nicholas Whitehead Financial Times Bracken House, 10 Cannon Street, London EC4A 3DF

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

The content, size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor.

FT INTERNATIONAL BOND SERVICE

Large table with columns: U.S. DOLLAR, DEUTSCHE MARK, YEN STRAIGHTS, OTHER STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLE BONDS. Includes various bond listings with prices and yields.

Table with columns: BONDS, STRAIGHT BONDS, FLOATING RATE NOTES, CONVERTIBLE BONDS, JAPAN BONDS. Includes various bond listings with prices and yields.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Tr. Mgrs., Allied Funds, and others, including their names, managers, and performance metrics.

Table listing various unit trusts such as Minster Fund Managers Ltd., Prudential, and others, including their names, managers, and performance metrics.

Table listing various unit trusts such as Target Tr. Mgrs., Transatlantic and Gen. Secs. Co., and others, including their names, managers, and performance metrics.

OFFSHORE AND OVERSEAS FUNDS

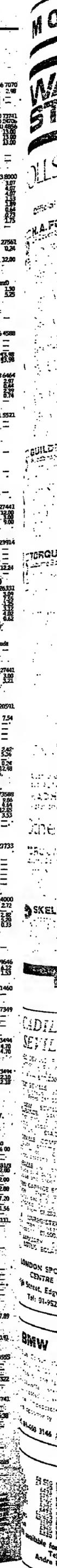
Table listing various offshore and overseas funds such as Alexander Fund, Keyser Investment Ltd., and others, including their names, managers, and performance metrics.

CORAL INDEX: Cise 462-467. Insurance Base Rates table with columns for property growth and various insurance rates.

Table listing various insurance and property bonds such as Abbey Life Assurance Co. Ltd., Crown Life Assurance Co. Ltd., and others.

Table listing various insurance and property bonds such as Lloyds Life Assurance, Royal Insurance Group, and others.

Table listing various insurance and property bonds such as Swiss Life Assurance, and others.





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# FT SHARE INFORMATION SERVICE

## BONDS & RAILS—Cont.

Interest	Stock	Price	Last	Yld	Div
1M	100Crk 7pc Ass.	98	111	3 1/2	7.20
1A	100Crk 5pc Ass.	98	111	3 1/2	6.24
1B	100Crk 4pc Ass.	98	111	3 1/2	5.28
1C	100Crk 3pc Ass.	98	111	3 1/2	4.32
1D	100Crk 2pc Ass.	98	111	3 1/2	3.36

## BANKS & HP—Continued

Dividends	Stock	Price	Last	Yld	Div
Feb.	Aug. Kroyer Ultram	46	1111	0.67	2.1
Feb.	Dec. King's Ship 20p	62	155	4.4	1.1
May	Nov. Kroyer Ultram	46	1111	0.67	2.1
May	Nov. King's Ship 20p	62	155	4.4	1.1

## CHEMICALS, PLASTICS—Cont.

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## ENGINEERING—Continued

Dividends	Stock	Price	Last	Yld	Div
Oct.	May. Ash & Lacy	142	111	0.67	2.4
Oct.	May. Ash & Lacy 20p	142	111	0.67	1.2
Oct.	May. Ash & Lacy 10p	142	111	0.67	0.6
Oct.	May. Ash & Lacy 5p	142	111	0.67	0.3

## FOOD, GROCERIES—Cont.

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## BRITISH FUNDS

Interest	Stock	Price	Last	Yld	Div
9%	100Crk 7pc Ass.	98	111	3 1/2	7.20
10%	100Crk 5pc Ass.	98	111	3 1/2	6.24
11%	100Crk 4pc Ass.	98	111	3 1/2	5.28
12%	100Crk 3pc Ass.	98	111	3 1/2	4.32
13%	100Crk 2pc Ass.	98	111	3 1/2	3.36

## AMERICANS

Dividends	Stock	Price	Last	Yld	Div
Apr.	Oct. ASA	1.94	111	1.00	2.6
Apr.	Oct. ASA 5pc	1.94	111	1.00	1.3
Apr.	Oct. ASA 2.5pc	1.94	111	1.00	0.65
Apr.	Oct. ASA 1.25pc	1.94	111	1.00	0.325

## BEERS, WINES AND SPIRITS

Dividends	Stock	Price	Last	Yld	Div
Feb.	Aug. Kroyer Ultram	46	1111	0.67	2.1
Feb.	Dec. King's Ship 20p	62	155	4.4	1.1
May	Nov. Kroyer Ultram	46	1111	0.67	2.1
May	Nov. King's Ship 20p	62	155	4.4	1.1

## DRAPERY AND STORES

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## INDUSTRIALS (Miscel.)

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## INDUSTRIALS (Miscel.)

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## Five to Fifteen Years

Interest	Stock	Price	Last	Yld	Div
9%	100Crk 7pc Ass.	98	111	3 1/2	7.20
10%	100Crk 5pc Ass.	98	111	3 1/2	6.24
11%	100Crk 4pc Ass.	98	111	3 1/2	5.28
12%	100Crk 3pc Ass.	98	111	3 1/2	4.32
13%	100Crk 2pc Ass.	98	111	3 1/2	3.36

## Over Fifteen Years

Interest	Stock	Price	Last	Yld	Div
9%	100Crk 7pc Ass.	98	111	3 1/2	7.20
10%	100Crk 5pc Ass.	98	111	3 1/2	6.24
11%	100Crk 4pc Ass.	98	111	3 1/2	5.28
12%	100Crk 3pc Ass.	98	111	3 1/2	4.32
13%	100Crk 2pc Ass.	98	111	3 1/2	3.36

## UNDATED

Interest	Stock	Price	Last	Yld	Div
9%	100Crk 7pc Ass.	98	111	3 1/2	7.20
10%	100Crk 5pc Ass.	98	111	3 1/2	6.24
11%	100Crk 4pc Ass.	98	111	3 1/2	5.28
12%	100Crk 3pc Ass.	98	111	3 1/2	4.32
13%	100Crk 2pc Ass.	98	111	3 1/2	3.36

## BUILDING INDUSTRY, TIMBER AND ROADS

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## ELECTRICAL AND RADIO

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## FOOD, GROCERIES, ETC.

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## INTERNATIONAL BANK CORPORATION LOANS

Interest	Stock	Price	Last	Yld	Div
9%	100Crk 7pc Ass.	98	111	3 1/2	7.20
10%	100Crk 5pc Ass.	98	111	3 1/2	6.24
11%	100Crk 4pc Ass.	98	111	3 1/2	5.28
12%	100Crk 3pc Ass.	98	111	3 1/2	4.32
13%	100Crk 2pc Ass.	98	111	3 1/2	3.36

## CANADIANS

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## BANKS AND HIRE PURCHASE

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## CHEMICALS, PLASTICS

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## ENGINEERING

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## FOOD, GROCERIES, ETC.

Dividends	Stock	Price	Last	Yld	Div
Jan.	July. Farm Food	72	111	0.67	1.4
Jan.	July. Fisons	277	111	1.13	3.4
Jan.	July. Heston (L) 10p	11	111	0.67	0.5
Jan.	July. Heston (L) 5p	11	111	0.67	0.25

## COMMONWEALTH & AFRICAN LOANS

Interest	Stock	Price	Last	Yld	Div
9%	100Crk 7pc Ass.	98	111	3 1/2	7.20
10%	100Crk 5pc Ass.	98	111	3 1/2	6.24
11%	100Crk 4pc Ass.	98	111	3 1/2	5.28
12%	100Crk 3pc Ass.	98	111	3 1/2	4.32
13%	100Crk 2pc Ass.	98	111	3 1/2	3.36

## LOANS

Interest	Stock	Price	Last	Yld	Div
9%	100Crk 7pc Ass.	98	111	3 1/2	7.20
10%	100Crk 5pc Ass.	98	111	3 1/2	6.24
11%	100Crk 4pc Ass.	98	111	3 1/2	5.28
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INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, ICI, and Unilever, with columns for stock name, price, and change.

INSURANCE—Continued

Table of insurance stocks including companies like Royal Indemnity and Commercial Union Assurance.

PROPERTY—Continued

Table of property stocks including companies like British Land and Anglo-Continental.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Venture and Anglo-Continental.

FINANCE, LAND—Continued

Table of finance and land stocks including companies like Anglo-Continental and British Venture.

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MINES—Continued

Table of mine stocks including companies like Anglo-Continental and British Venture.

OILS

Table of oil stocks including companies like Anglo-Continental and British Venture.

OVERSEAS TRADERS

Table of overseas trader stocks including companies like Anglo-Continental and British Venture.

RUBBERS AND SISALS

Table of rubber and sisal stocks including companies like Anglo-Continental and British Venture.

TEAS

Table of tea stocks including companies like Anglo-Continental and British Venture.

INDIA AND BANGLADESH

Table of India and Bangladesh stocks including companies like Anglo-Continental and British Venture.

SRI LANKA

Table of Sri Lanka stocks including companies like Anglo-Continental and British Venture.

AFRICA

Table of African stocks including companies like Anglo-Continental and British Venture.

INSURANCE

Table of insurance stocks including companies like Royal Indemnity and Commercial Union Assurance.

PROPERTY

Table of property stocks including companies like British Land and Anglo-Continental.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Venture and Anglo-Continental.

FINANCE, LAND, etc.

Table of finance, land, and other stocks including companies like Anglo-Continental and British Venture.

DIAMOND AND PLATINUM

Table of diamond and platinum stocks including companies like Anglo-Continental and British Venture.

AUSTRALIAN

Table of Australian stocks including companies like Anglo-Continental and British Venture.

TINS

Table of tin stocks including companies like Anglo-Continental and British Venture.

COPPER

Table of copper stocks including companies like Anglo-Continental and British Venture.

MISCELLANEOUS

Table of miscellaneous stocks including companies like Anglo-Continental and British Venture.

GOLDS EX-GRATIA

Table of gold ex-gratia stocks including companies like Anglo-Continental and British Venture.

NOTES

Notes section providing additional information and commentary on the market.

REGIONAL MARKETS

Table of regional market data including various international indices.

OPTIONS

Table of options data including 3-month call rates.

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# FINANCIAL TIMES

Monday January 29 1979

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travel is bigger, better, faster  
with Super 4  
British Hovercraft Corporation

## Carter will seek Taiwan assurance

By Jurek Martin in Washington  
PRESIDENT CARTER will be looking to Deng Xiaoping, the Chinese Vice-Premier, to assure Congress on the future integrity of Taiwan in Mr. Deng's historic visit to the U.S., which began here yesterday.  
Mr. Deng will spend most of tomorrow on Capitol Hill, where he will meet several Congressional leaders, otherwise in favour of normal Sino-American relations, concerned about the safety and security of Taiwan and the absence of any explicit commitment from Peking not to annex the island by force.  
Administration officials have repeatedly maintained that the nature of the negotiations with Peking made it impossible for the Chinese leadership to provide such assurances, but have pointed to repeated statements by Mr. Deng and others disavowing aggressive intent.  
At his Press conference last Friday, Mr. Carter said that he would sign no Congressional resolution on Taiwan that he

## Council wage talks resume tomorrow

By ALAN PIKE, LABOUR CORRESPONDENT  
LOCAL AUTHORITY employers and union leaders resume pay negotiations tomorrow as manual workers prepare to step into the industrial action that is hampering many council and hospital services.  
Since the local authorities offered the council workers 5 per cent, the Government has relaxed its attitude towards the lower paid and a £3.50-a-week cash alternative is permitted.  
That would enable council employers to improve their offer to about 7 per cent. Serious doubts must be raised, however, about whether such an offer, even with a pay comparability study, would appease the manual workers in their present mood.  
Mr. Bernard Dix, assistant general secretary of the National Union of Public Employees, said that the local authority and health unions would "push up the rate of activity" in the dispute from today.  
"If there is no sign of movement from the local authority employers on Tuesday we will have to start drawing up plans for a really hard squeeze,"

## 30 die as Tehran riots flare

By OUR FOREIGN STAFF  
TEHRAN WAS shaken yesterday by some of the worst violence since the start of the revolution against the Shah a year ago. More than 30 people died and over 200 were injured near the city's university, when troops opened fire on anti-Government demonstrators.  
The rioting in the city seemed likely to wreck any hopes Dr. Shahpour Bakhtiar, the Prime Minister, has of reaching agreement with the Government's main religious opponent, Ayatollah Ruhollah Khomeini. The French Foreign Ministry said last night that Dr. Bakhtiar was expected in Paris this morning, but the Ayatollah said at his temporary residence outside Paris that he would refuse to meet the Prime Minister unless he resigned.  
At his house, the Ayatollah said: "I will not meet the illegal man. I have said repeatedly that the deposed Shah was illegal, the Parliament was illegal and the Bakhtiar Government was illegal."  
The Ayatollah, who plans to set up an Islamic Republic in Iran, said he planned to return to his homeland as soon as possible. But Air France, from which he has chartered an aircraft, said it had suspended all flights to Iran until further notice because the Iranian Government had closed the airports.  
Meanwhile, the Shah continued his "holiday" in Morocco, although a Calro newspaper reported that he would return to Egypt and live with his family and entourage in the Kubbek Palace.  
In Tehran, yesterday's demonstrations started peacefully. Led by Mullahs or Moslem priests, tens of thousands of demonstrators gathered in 24th Esfand Square. The mood then turned angry as the demonstrators built barricades. There were shouts of "death to Bakhtiar" and rocks were hurled at the military police headquarters. Then troops ran out of the building and opened fire.

## Volvo puts on a brave face

THE LEX COLUMN  
Volvo is planning to press ahead full blast on all fronts despite the breakdown of its proposed agreement with Norway. According to a senior executive over the weekend, last week's setback is not going to make the Swedish car group modify its model development programme in any way.  
Two-fifths of Volvo's shareholders have voted against the deal, which would have brought the group SKr 750m (£86m) of new equity in return for its making significant new investments in Norway. For many managements, that would have represented a crushing defeat. Volvo's immediate response, by contrast, has been to tell its shareholders that they are going to be called on for substantial new funds within the next few weeks.  
The preliminary figures, published on Friday, showed a pre-tax rise from SKr 465m to SKr 675m. This is before deducting unrealised exchange losses. But after adjusting a SKr 190m contribution by the Dutch Government to the troubled car business in Holland, which had a similar credit in 1977. A significant part of the upturn stemmed from car production in Sweden, where as a result of higher volume, improved productivity and the 1977 devaluations, the 240/260 models have returned to a reasonable level of profitability. But although detailed breakdowns are not yet available, it is a fair bet that margins on the car business as a whole—which makes up half the group's turnover—are still very low indeed. In addition, Volvo has probably made sizeable losses on construction equipment, farm and forest machinery (Volvo BM), while marine engines (Volvo Penta) have also done badly (partly due to one-off reorganisation costs).  
The likelihood is that the great bulk of group profits has again come from aircraft engine (Volvo Flymotor), buses and above all trucks, where substantial investment at the heavy end of the market is still paying off handsomely. Taken together, these three products account for only about a third of group sales.  
How can Volvo make more profits from cars? Losses on the Dutch operation are likely to be about unchanged this year, before crediting a (reduced) government grant, and although Volvo is confident that it has now got the product right, it still seems to be away from getting the volume expansion policy which it has followed—with mixed success—over the past decade. And despite a marked profits recovery in 1978, it is still a long way short of earning adequate returns on large parts of its business.



Deng Xiaoping: Historic visit

felt ran counter to the purpose of normal relations with Peking. The hope is that Mr. Deng's personal negotiations with the Congressional hierarchy will do the trick much as President Sadat of Egypt did late in 1977 when he won many converts in the U.S. to the cause of a more even-handed American policy in the Middle East.  
Mr. Carter and Mr. Deng will meet three times in the White House for wide-ranging talks designed to give each nation an understanding of the other's perspectives on world affairs.  
In particular, the President said that the U.S. "will be encouraging the Chinese to help us with some trouble spots." He mentioned the Korean peninsula, where the Governments of North and South appear to be moving towards renewed talks on reunification, and hoped that Peking would be able to influence the regime in the North.  
Mr. Carter is expected to emphasise the U.S. desire to continue with improved relations with the Soviet Union and shortly to conclude a strategic arms limitation agreement with Moscow. Asian, African and European affairs are also on the agenda.  
From a practical standpoint, U.S. and Chinese officials will be discussing and may sign agreements on such bilateral issues as technological and scientific exchanges, cultural relations, consular matters and aviation.  
However, it is the symbolism of Mr. Deng's visit, the first to Washington by a senior Chinese Government official since the revolution, which is captivating the Administration and the country at large. One official said at the weekend that for the first time the two countries will be dealing with each other as equals.  
Thus Mr. Deng is to be feted in the capital with a state banquet, a gala concert of American performing arts, and eight-day television will broadcast regular satellite reports of Mr. Deng's tour at home. It will be amazing if the Chinese people will be able to make out their diminutive vice-premier in the media circus that will surround him. More than 1,000 American and foreign journalists have signed up to cover him.

## Rodgers suggests freeze on pay and prices

By ELINOR GOODMAN AND CHRISTIAN TYLER  
THE DEBATE among Ministers as to what kind of pay policy can save the Government from electoral defeat surfaced yesterday when Mr. William Rodgers, the Transport Secretary, floated the idea of a temporary pay and prices freeze.  
His speech—which was not cleared by the Prime Minister—came on the eve of crucial talks between Government and TUC over how to repair their "special relationship" in time for a General Election that could be forced on Mr. Callaghan as early as March.  
The Prime Minister is expected to warn the general council of the TUC in Downing Street this afternoon that he could be in trouble in a matter of weeks and that unless the two arms of the Labour movement can come to some new agreement Labour will have no chance of winning a general election.  
Mr. Rodgers, who believes that the Government has not taken a tough enough line, during the road haulage dispute, said that even now there was "a respectable case" for a pay and prices freeze. It had worked before, and would permit of "a pause

## Ministers to debate new aid for Kirkby

By JOHN ELLIOTT, INDUSTRIAL EDITOR  
MINISTERS will consider later this week whether to allow the loss-making Kirkby Manufacturing and Engineering workers' co-operative to close following a report by industrial advisers that it should not be granted Government financial aid of up to £8m.  
This will pose a potentially serious political problem for the Government because the co-operative has widespread backing among Left-wing Labour MPs and constituency parties. The decision to allow the co-operative to go into receivership would spark off a major row with the Labour Party at a sensitive time.  
The advice against awarding fresh aid has been given by the Department of Industry's Independent Industrial Development Advisory Board. It has rejected a claim for £2m immediate-aid followed by up to £6m in grants and loans which would be partly spent on modernising the co-operative's central heating radiator production.  
The Board has, however, been overruled by Ministers on at least two earlier occasions over giving aid to the co-operative. Some members of the Government's main Ministerial committee on industry will favour over-riding it again and giving

## Available funds

That is not because the group faces any immediate financial pressures. On the contrary, it has gross cash balances of SKr 2.5bn, and unused facilities of well over SKr 5bn around the world. After a number of years in which its spending outstripped cash flow by a wide margin, 1978 thanks to considerable improvements in working capital efficiency plus high profits. And although shareholders' funds represent under 25 per cent of total capital employed according to the way the Swedes do their sums, international bankers would probably take a more relaxed view of Volvo's untaxed reserves and put the figure at 35 per cent or more.  
The management wants new equity for two reasons. It is ambitious to continue its expansionary policy which it has followed—with mixed success—over the past decade. And despite a marked profits recovery in 1978, it is still a long way short of earning adequate returns on large parts of its business.

## BNOC buys share in Beatrice

By KEVIN DONE, ENERGY CORRESPONDENT  
THE BRITISH National Oil Corporation is to add to its growing equity interests in the North Sea by buying a share in the Beatrice field from Hunt Oil of the U.S.  
The deal, likely to be announced this week, involves the sale of half of Hunt Oil's 23 per cent share in the field.  
The consortium of companies developing Beatrice has been unsettled for many months, and further changes of interest could follow later this year, involving the shares held by Chevron, of the U.S., and P & O.  
Under its purchase of 10 per cent of the Beatrice field, BNOC is expected to pick up its full share of the capital costs of developing the field. Hunt will reserve a right to part of the profits arising from BNOC's interest.  
The Beatrice field in block 11/30 is the oilfield nearest the coast to be discovered in the North Sea area. It is located in the Moray Firth about 175 miles from the Scottish coast.  
The total cost of developing the field is expected to be in the region of £300m. The Beatrice reservoir has estimated recoverable reserves of about 160m barrels of a high wax crude oil. Production from the pipeline to the Cromarty Firth is expected to begin in summer, 1981.  
BNOC already as equity

## Weather

UK TODAY  
WINTRY SHOWERS, prolonged in places, maximum temperature 4C (39F).  
London, SE England, E. Anglia Sleet or snow at first, becoming brighter.  
E. N.E., Cent. N. England, Borders, Edinburgh, Dundee, Aberdeen, Glasgow, Cent. Highlands, Moray Firth, N.E., N.W. Scotland, Argyll, Orkney, Shetland.  
Occasional sleet or snow.  
Rest of UK  
Wintry showers, heavy and prolonged at times.  
Outlook: Wintry showers in places at first, becoming less cold.

BUSINESS CENTRES	
Yday	Today
Ashford	18
Birmingham	15
Bristol	14
Cardiff	13
Edinburgh	12
Exeter	11
London	10
Manchester	9
Newcastle	8
Nottingham	7
Sheffield	6
Southampton	5
Stockholm	4
Swansea	3
Wolverhampton	2
York	1

HOLIDAY RESORTS	
Yday	Today
Alderney	18
Amble	17
Bournemouth	16
Brighton	15
Brixham	14
Cardiff	13
Cardigan	12
Cardon	11
Cardon	10
Cardon	9
Cardon	8
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## Ministers to debate new aid for Kirkby

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## Pakistan ship order

Continued from Page 1  
a had risk by the Government's Export Credits Guarantee Department, this appeared to rule out any immediate possibility of an order.  
The latest proposal involves financing the ships with overseas aid, but in order to reduce the amount drawn from that source the contract price would be reduced by up to 30 per cent with cash from the Government's £88m Shipbuilding Intervention Fund.  
A similar package was constructed last year to finance another "give-away deal,"

## South-west drivers

Continued from Page 1  
the union's cash claim. The union says that about 50 companies have indicated that they will meet the full claim, though the employers say "only a handful" are prepared to do so. Until now Scottish strike leaders have not been prepared to negotiate with companies individually.  
Mr. Douglas Fairburn, TGWU divisional officer in the West Midlands, predicted that a sharp increase in the region would have met the cash claim in full within the next seven days. The local Road Haulage

## Weather

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Cardon	10
Cardon	9
Cardon	8
Cardon	7
Cardon	6
Cardon	5
Cardon	4
Cardon	3
Cardon	2
Cardon	1